

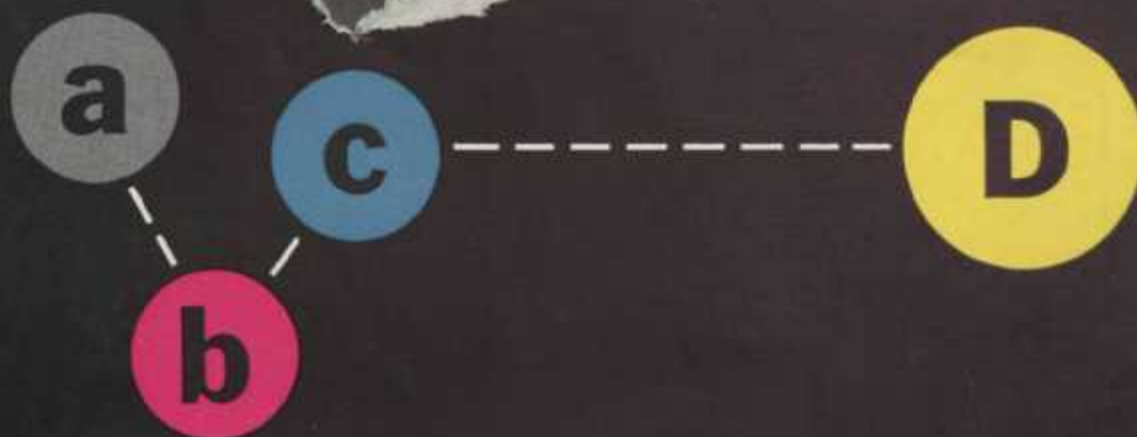
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# business

APRIL 1956

FILE COPY  
Do not remove



## *how to make a business decision*

PAGE 38

### **You can grow your own executives** (PART TWO) PAGE 72

Slow traffic laws waste fast roads PAGE 32

● 10 steps to help you sell PAGE 29

Vets demand pensions for all PAGE 34



## ***How the telephone helps six "Square D" salesmen cover 800,000 square miles***

**Systematic use of the telephone  
saves time, steps up sales,  
speeds service to customers**

In the regional office of the Square D Company in Seattle, Washington, the telephone helps six salesmen serve customers better in five northwestern states and the Territory of Alaska.

Before going on trips, the salesmen line up out-of-town appointments in advance by telephone. That way they save long waits in reception

rooms and avoid intruding on customers at inconvenient times.

Incoming orders are followed up by telephone, too. That way customers know about related items available, shipping arrangements and freight minimums they can take advantage of, at a saving.

Your company, like "Square D" and its customers, can profit from the planned use of the telephone. We'd like to tell you more about it. Just call your Bell Telephone Business Office.

### **LONG DISTANCE RATES ARE LOW**

Here are some examples:

New York to Philadelphia	50¢
Cleveland to Indianapolis	90¢
Minneapolis to Detroit . . .	\$1.20
St. Louis to Boston . . . . .	\$1.70
Seattle to Chicago . . . . .	\$2.20

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

**CALL BY NUMBER. IT'S TWICE AS FAST.**

**BELL TELEPHONE SYSTEM**





*George S. May Company* *your*

## **SALES & SERVICE!**

That's what more than 40,000 business men have found during the past 31 years. They learn how to quickly reduce costs, improve methods, and expand their business with the help of George S. May Company service. Learn how this remarkable service can bring dynamic new business thinking and experience to the problems that you may have. Learn how you can strengthen your competitive position by the application of time-proved George S. May Company methods. Call any of our offices. A thoroughly qualified representative will call on you without cost or obligation.

PRIVATE



### **George S. May Company**

Cable Address: GSCSMA, Chicago

CHICAGO 6, Engineering Building  
Financial 6-3400

NEW YORK 17, 122 East 42nd Street  
CIXford 7-3900

SAN FRANCISCO 2, 201 Geary Street  
SAltfield 1-5344

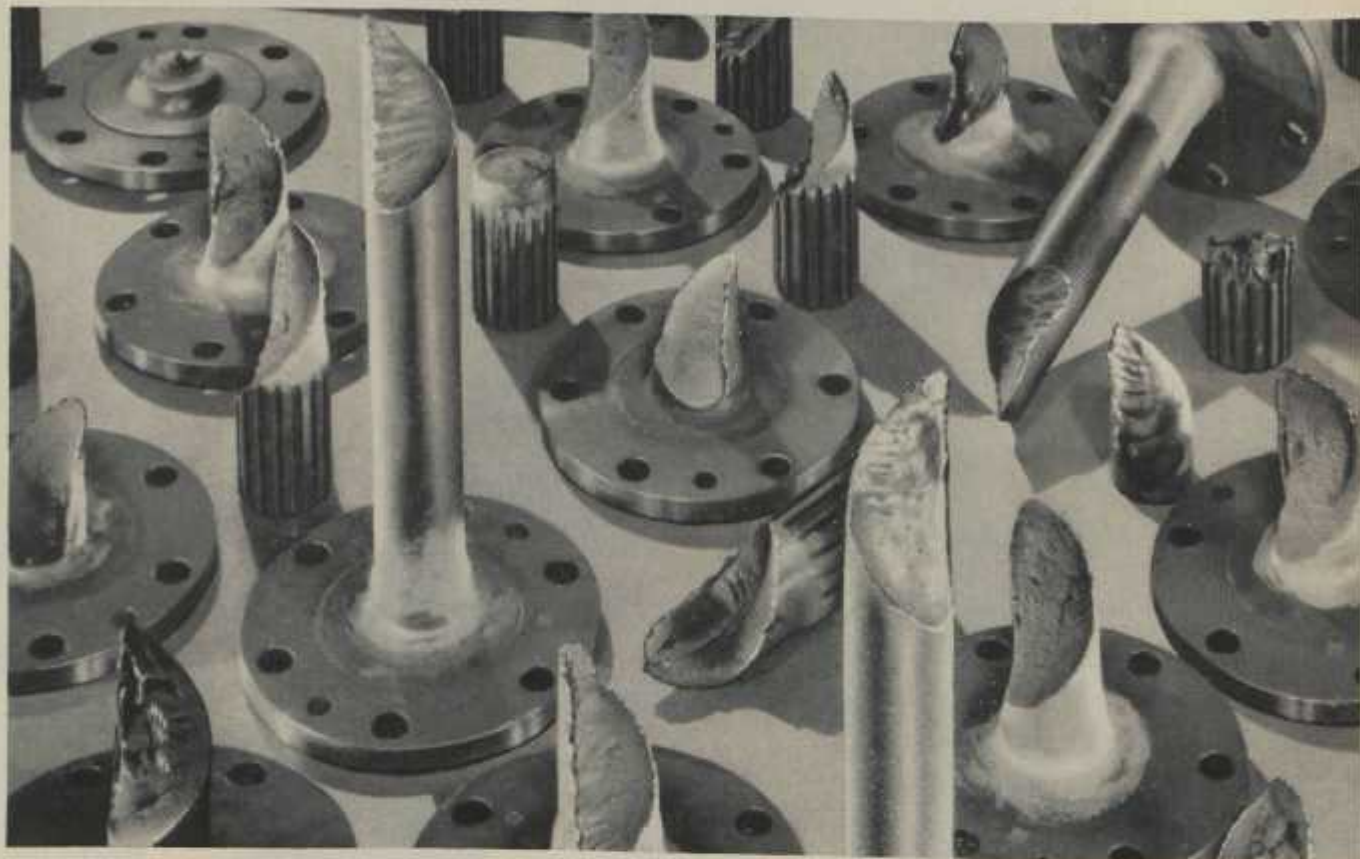
CANADA, 1176 Phillips Place, Montreal  
UNiversity 6-9152

GERMANY, GEORGE S. MAY INTERNATIONAL, G.M.B.H.  
Gunselsdorf, Altmühlstrasse 29, Telefon 80328



HF  
1358  
V.44  
1956

# We broke these truck axles in the lab...



## to save you the BIG money!

**Pictured above** is a group of once fine and costly INTERNATIONAL axle shafts that have been purposely twisted and broken. This is done to make sure your INTERNATIONAL rear axle will last longer and save you the BIG money—the over-the-years operation and maintenance money.

This rigorous axle-twist test is but one of many operations in the chain of INTERNATIONAL engineering that makes INTERNATIONALS *all-truck*. There are no passenger car compromises *anywhere* in INTERNATIONAL design, no passenger car engines or components asked to do a truck job.

And beyond this big plus of all-truck design, INTERNATIONAL gives you functional, practical, money-saving styling—extra comfortable driver-saving cabs—every modern driving feature.

If you use a truck to make money, see your INTERNATIONAL Dealer or Branch and start saving the BIG money!

INTERNATIONAL HARVESTER COMPANY • CHICAGO

In the INTERNATIONAL Engineering Laboratory, axle shafts are tested by twisting them back and forth—hundreds of times—at stress points far beyond those of any normal truck operation. Axle shafts are approved for manufacture only when they withstand a prescribed high number of twists. Production line axle shafts must conform to the quality standards set up by this rigid test.



**Model R-195 ROADLINER**,<sup>®</sup> GCW 50,000 lbs. In the world's most complete truck line there are models exactly right for every highway hauling job. Conventional and COE, 4- and 6-wheel ROADLINER models, 29,000 lbs. to 76,800 lbs. GCW.

**INTERNATIONAL<sup>®</sup>**  
**TRUCKS**



**All-Truck Built to  
save you the BIG money!**

Motor Trucks • Crawler Tractors • Industrial Power  
McCormick<sup>®</sup> Farm Equipment and Farmall<sup>®</sup> Tractors

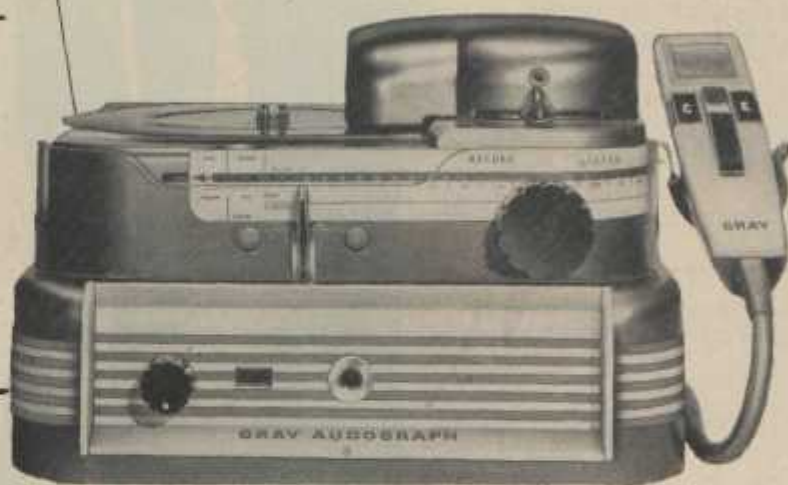


# RENT

the new Gray Audograph V

only \$15<sup>45</sup> a month

Includes Complete Dictation  
and Transcribing Accessories  
—with Guaranteed  
Maintenance!



**Y**ou can not only *rent* this combination recorder-transcriber for 12 months or longer... but you can also secure an *option to purchase* the equipment.

When you exercise the option, basic rental payments are *credited in full* toward the purchase price.

Only Gray offers you a lightweight Full-Control microphone — at no extra cost! You'll

also enjoy the advantage and economy of reusable Discs . . . in 20, 30 and 60 minute sizes.

Even if you write only 3 letters a day, the Audograph V *saves more in correspondence costs than the monthly payments*. That makes it more than self-liquidating . . . makes it a "bonus" proposition right from the start!

To save time . . . speed work . . . and cut costs, get *all* the facts without obligation.



Audograph, PhonAudograph and  
Telephone Dictation Systems

## CLIP AND MAIL COUPON TODAY! — — —

The Gray Manufacturing Company  
521 Fifth Avenue, New York 17, N. Y.

Send me illustrated booklet on the new Gray Audograph V — with details on your new Rent-Purchase Plans.

Name \_\_\_\_\_ Title \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

NB-4



what's the "99"  
doing here?

Brokerage offices use the 99 Calculator to tote up the day's trading and figure their commissions. Its great speed and never failing accuracy make it a "natural" to back up stock market transactions.

Customers as well as brokers rely on the Remington Calculator. It's fully automatic, has

touch method operation and it prints too! That's why so many "blue chips" use the 99 Calculator for cost accounting...inventories...payrolls and all business mathematics.

**Remington Rand**

DIVISION OF SPERRY RAND CORPORATION



►LOOK TO LONG-TERM PLANNING for key to America's business future.

Example: Plant and equipment expansion will get biggest boost ever from U. S. companies this year.

That's sure sign of industry's confidence in long-term demand for products.

New Commerce-SEC report estimates total capital outlays this year will approach \$35,000,000,000, up from \$28,270,000,000 last year.

Auto industry alone has spent \$7,000,000,000 for growth since World War II, will spend another \$2,000,000,000 to expand productive capacity in 1956.

►KEY TO ECONOMIC PROSPECTS for remainder of year:

Will consumers continue to buy at record pace during 1956?

Answer on page 14.

►TALK ABOUT STANDBY CONTROLS on consumer credit is just that--talk.

Congressmen in reality have no desire for reviving Regulation W type reins on installment buying.

Prospect is that issue will drown in study of over-all credit picture which Federal Reserve Board is making at request of President. Preliminary findings show individual consumers now account for 45 per cent of total private debt.

Board already regulates credit buying --to a degree--through adjustments in loan rates to its member banks.

Meanwhile board watches inflation signals with intense interest.

►HERE'S LEGISLATIVE OUTLOOK at halfway point in current session of Congress:

Taxes: Pressure grows to help small business but personal tax reduction has priority. Congressmen are closely watching budget surplus.

Spending: Prospect is for government to spend at about rate (\$65,900,000,000) President anticipated in January message.

Highways: Issue still delayed by method of financing.

Social Security: Outlook is for passage of broader-coverage bill stripped of general disability payments and retirement for women at 62 which House approved.

Postal rates: Proposed \$350,000,000 increase in rates probably will be shelved for lack of support.

Foreign aid: Assistance at about present level will be approved; 10-year commitment will be scratched.

Health: Research will get additional grants; reinsurance will be blocked.

Housing: Some federal housing will be continued.

►FLOOD INSURANCE proposal probably won't get beyond talk stage in Congress.

Reason: Critics say it's more subsidy than insurance.

Experience of insurance companies shows only those whose property is in probable flood area will buy flood coverage.

This narrows risk spread, forces up premium rates.

Underwriters say proposal can't be operated on sound business basis, would not eliminate pressure for flood relief during disasters.

►RAISING LOCAL SCHOOL BUDGET a fraction of one per cent would provide as many classrooms as U. S. would build if aid plan becomes law.

This fact has been obscured in seesawing debate over federal aid for education.

New analysis of government figures worked out with proposed formula for sharing funds (\$250,000,000 a year for 5 years) shows:

Mississippi would get maximum of \$6,055,000. Bonds for that sum could be paid off by raising current state and local school budget only 0.6 per cent.

That's maximum effort any state would have to make to duplicate federal aid--without paying Uncle Sam's middleman fee.

California's maximum share (\$10,039,000) could be financed locally by raising school budget 0.07 per cent.

That's least effort for any state.

Want to know additional effort required of your state? Write NATION'S BUSINESS, Washington 6, D. C.

►COMPULSORY UNIONISM fight goes to Supreme Court this spring.

Court will hear debate on right of states to ban compulsory union member-



ship in railroad and airline labor contracts.

Eighteen states with right-to-work laws are backing Nebraska in test case involving 5 Union Pacific employees whom union wants discharged because they refuse to join.

Issue arises because Railway Labor Act sanctions compulsory union contracts, irrespective of any state restrictions.

Taft-Hartley, however, gives precedence to state right-to-work laws.

►BLITZKRIEG LABOR LOBBYING is being watched with interest in Washington.

More than 2,200 AFL-CIO building trades union officials from 46 states recently spent 4 days here discussing legislative objectives with congressmen.

Union men sought support of bills which would:

Amend Taft-Hartley to ease secondary boycott curbs on construction projects; permit pre-hire contracts; eliminate approval of 18 state right-to-work laws; kill mandatory injunctions against boycotts.

Amend Davis-Bacon Act to extend prevailing wage requirements to federally assisted or federally insured construction, as well as direct federal construction.

Liberalize prevailing wage definition to include fringe benefits; take enforcement away from government agencies and centralize it in Labor Department.

►WORKMEN'S COMPENSATION BATTLE is shaping up. Here's background:

Employers, insurers, state administrators have until May 1 to comment on Labor Department's model workmen's compensation law.

Some say model dangerously expands scope, nature of injuries for which employers would be required to pay.

For example: Under new proposal employee could file claim for mental harm stemming from job.

Also: Injuries need not be suffered during employment to support claims.

Outlook: Measure will encounter strong opposition, few states will adopt it.

►HEALTHY STATE OF BUSINESS is shown by freight car demands--which are heavy for this time of year.

Says Association of American Railroads: Country did not experience seasonal lull expected at start of 1956.

Requirements are running 8.3 per cent ahead of last year.

Furthermore, car shortage will grow worse before it gets better.

Recent heavy rainfall in areas usually dry greatly improves prospects for agricultural production. This adds up to more demand for box cars in months ahead.

►RAILROADS ARE SEARCHING for ways to increase freight car efficiency.

Class 1 lines got 4,350 new cars in January--more than any month in past two years.

Number retired was 2,647--less than any month since July, 1945.

Thus, ownership increased by 1,703 units.

Yet shortage grew.

Average daily shortage is 3,600 cars compared to 900 this time year ago.

Recent average daily loadings were about 56,000 cars ahead of year ago.

►POLIO SEASON STARTS this month. Incidence rises as temperatures moderate across nation.

Reports from state health officers during April will give Public Health Service officials their first inkling of how hard polio will hit U. S. this year.

Salk vaccine is still in rather short supply, although 5 firms making it are operating at peak capacity.

Reason for undersupply: Vaccine is difficult to make, much of it spoils, is lost through container breakage. New test standards permit only safe vaccine to leave plant.

Government says there's enough vaccine to give all children ages 5 to 9 and pregnant women one or two shots each.

►SECRET OF GOOD SELLING--in a word--is serving. Cincinnati management consultant, Fred Smith, gives this formula:

Immediate, warm welcome to prospective customer.

Sell according to customer's needs, not according to your stock.

Adjust things that are wrong quickly, pleasantly.

Keep in touch.

Other steps to help you sell: page 29.



# washington letter

►HOW DO YOUR SALES compare with average annual sales of stores in principal retail lines?

Latest figures show food stores average \$103,000 sales per store.

Averages in other lines: General merchandise stores, \$235,539; automotive, \$347,118; gasoline service stations, \$59,318; lumber, building materials, hardware, farm equipment dealers, \$130,068.

Total sales for nation's 1,700,000 retail establishments: \$170,000,000,000.

Note: If you want to know how your sales compare with average for your line in your county, write NATION'S BUSINESS.

►HERE'S A BIRTHDAY REMINDER important to Americans: Series E Savings Bond will be 15 years old May 1.

More than 40,000,000 Americans now own \$40,500,000,000 Series E and H Bonds.

Sales of E Bonds hit record high in 1945, slipped to record low in 1953.

Thanks to industry cooperation, more intensive sales drive by Treasury, sales have been rising steadily since '53, and prospect is that 1956 will see new sales record established.

Note: Industry is now spending \$1 per employee per year to promote sale of savings bonds on payroll savings plan.

►YOU HAVEN'T HEARD THE LAST of those windfall profits on FHA-approved apartment projects.

Working quietly, Justice Department is filing suits to recover windfall proceeds. More suits will be filed.

Amount involved in 108 projects already investigated is about \$44,000,000.

But 7,000 projects were authorized by FHA--so total is probably higher.

Books of other projects are being examined.

Windfall worked this way: Project developers borrowed money to build FHA guaranteed units. Cost of construction sometimes was less than estimated.

Some developers pocketed this difference, content to let rents pay off their mortgage obligation.

FHA doesn't charge fraud but seeks to keep projects economically sound by applying windfall profits toward paying off builder's loan, or to maintain, improve property.

►APRIL 15 IS DEADLINE for filing individual federal income tax returns.

That's deadline, too, for income tax returns to 24 states and the District of Columbia.

States granting more time are:

Delaware and Iowa, April 30; New Hampshire and Virginia, May 1; Arkansas and Louisiana, May 15.

Two states have earlier filing deadlines--Indiana, Jan. 31, and Idaho, Mar. 15.

Sixteen states have no income tax.

►YOU MAY HEAR SCARE TALK about unemployment.

Keep picture in focus.

Total employment of 62,577,000 is up 2,700,000 from year ago.

Remember: '55 was economy's best year.

Adjustments in auto industry are chief reason why nonfarm employment in February was down 175,000 from January level.

►SKILLED WORKER SHORTAGE grows.

Reports from local public employment offices show 30,000 unfilled openings in professional, skilled ranks.

That's 85 per cent increase over this time last year.

Jobs which communities are having hard time filling include engineers, 5,844 unfilled openings; schoolteachers, 2,700; draftsmen, 1,815; nurses, 890.

Other occupations affected: physicists, mathematicians, translators, patent examiners, top metal workers, maintenance mechanics, repairmen, tool and die makers.

►BRIEFS: Already fast growing, petrochemicals will be growing even faster by 1960 when industry's capital investment should exceed \$16,000,000,000, or double present investment. . . America's first privately financed atomic electric power will be generated next year in Livermore-Pleasanton area of California by General Electric and Pacific Gas and Electric. . . Bell experiments with musical tone device to replace telephone bell. . . Highest price (\$100,000) since 1937 was paid last month for N. Y. Stock Exchange seat; 1937 high was \$106,000. . . Experts say brake relines jobs will be needed on 12,500,000 vehicles this year, big increase.



# FREE!

## "How to be sure your safe is a safe place

### FOR YOUR RECORDS"



#### NEW 24-PAGE MOSLER BOOKLET TELLS YOU

- what makes some safes dangerous
- how much protection to expect from a fireproof building
- what records should get priority in a small safe
- what's needed to collect fully on fire insurance
- what special precautions to take with cash
- what to look for in buying a new safe and answers to dozens of other vital questions.

FREE! Mail Coupon Now!

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Since 1845

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Please send me FREE booklet described above.

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COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

ZONE \_\_\_\_\_ STATE \_\_\_\_\_

# Businessmen say...

#### Honest appraisal

I have just finished reading the very outstanding article "This Man Shapes Your Tax Bill," which appears in the March issue of NATION'S BUSINESS.

Needless to say, we are very pleased with the honest appraisal of our outstanding Congressman. We in Arkansas know what we have in Wilbur Mills, but it is always pleasing to be reassured of our opinions.

R. W. HEDGES

*Exec. Vice Pres.,  
Little Rock Chamber of Commerce  
Little Rock, Ark.*

#### Guide for giving

I have just read with a great deal of admiration the article on fund raising in the March issue. I was particularly impressed with the 8-point Guide for Giving. Would you permit us to reprint that in our house organ which goes to our more than 7,000 customers?

EDWARD G. EICHELBERGER

*Lewis Oil Co., Inc.,  
Port Washington, N.Y.*

Permission granted.

#### Management study

May we have your permission to reprint about 135 copies of your article "Three-Year Study Shows How Managers Are Made"? We wish to issue them to members of our management group.

W. E. BRIGHT

*The Pure Oil Company  
Chicago, Ill.*

Please forward 20 copies of reprint "Three-Year Study Shows How Managers Are Made." The article was very interesting and we would appreciate receiving the reprints as soon as possible to acquaint other personnel with it.

KERME ANDERSON

*North American Aviation, Inc.,  
Downey, Cal.*

Reprints available for ten cents each or \$7.50 per 100 from Business Manager, NATION'S BUSINESS, 1615 H Street N.W., Washington 6, D.C.

#### Wrong product

Many of our good customers are going to be as surprised as we were when they see in your March issue that Cabot is in the "shoe blacking" business in England or anywhere else. May I say for the benefit of cor-

rection that Godfrey L. Cabot, Inc., and its several carbon black subsidiaries, including Cabot Carbon Limited, Ellesmere Port, Cheshire, England, produce carbon black and sell it in large quantities to tire and rubber goods manufacturers all over the world. Carbon black serves as a reinforcing pigment in rubber and greatly increases its resistance to abrasion.

We also produce carbon blacks for pigmenting paints, varnishes, lacquers, plastics and printing inks.

J. BOYD BRITTON

*Operations Vice President  
Godfrey L. Cabot, Inc.  
Boston, Mass.*

#### Labor government

Please advise whether it would be possible for us to secure your permission to reprint the article "We're Heading For a Labor Government." We would like to send this to a few hundred industrialists.

W. M. H. WOOD

*The National Research Bureau, Inc.,  
Chicago, Ill.*

Permission granted.

#### Wide open Germany

We are particularly interested in the article titled "Germany: Wide Open Market" appearing in the February NATION'S BUSINESS. If permission is granted by you, we plan on using some of this material in one of our internal publications.

May we have such approval?

E. W. HULL

*Railway Express Agency  
New York, N.Y.*

Permission granted.

#### Stand up and fight

I have just completed reading the February issue and I am very impressed with your article "Labor's Political Machine Goes To Work."

Your magazine is to be commended for its forthright and honest statements in the past, and I know it will continue in the future. It is hard for me to believe that the average American businessman is unwilling to stand up and fight for the system which has made this country great, and yet here in the Midwest we find businessmen who seem to hide behind a mantle of shame where profits and the capitalistic system are concerned.

I believe the labor movement





When shipments slowed down, Eddie used to run fast  
To escape from the boss' volcano-like blast.



Now their shipping is handled with speed and finesse  
'Cause they call on dependable **RAILWAY EXPRESS!**

# The big difference is

Whether you're sending or receiving,  
whether your shipment is big or small,  
no matter where you ship . . . it pays  
to specify Railway Express. You'll find  
it makes the big difference in speed, economy,  
and safe, sure delivery. It's the complete  
shipping service, free enterprise at its best.

## New, World Wide Service!

Save money and time on import-export shipments! The most economical, fast service by air and surface transportation, for international shipping, is now available. See your Railway Express agent for further information.



**... safe, swift, sure**

Railway Express will take your orders for Care



# LOOK!

Look at the functional styling of the Burroughs Ten Key adding-subtracting machine—so light, so compact, so attractive. Choose from four colors: Sea Mist Green, Capri Coral, Alpine Blue, Amber Gray.



# TEST!

Test performance that really pays off—split-second speed, feather-touch key action, library-quiet. Unfailing accuracy and efficiency-boosting ease of operation, too. Instant minus balances.



# SAVE!

Save money as well as time. The Burroughs trademark assures many years of reliable performance—in a machine that will pay for itself again and again in increased workload, prolonged service, man-hours saved.



**Burroughs Ten Key  
Adding Machine**



Our local branch or dealer is listed in the Yellow Pages. Burroughs Corporation, Detroit 32.

should be a free one, but it should be a voluntary one. If people want to become part of labor unions, they should be allowed to do so. However, no one should be forced to join. Also, unions should be controlled the same as corporations . . . they should be subject to antitrust laws the same as we in business.

ROBERT D. LOVE  
*Love Box Company, Inc.  
Wichita, Kan.*

## Minn., not Mont.

In discussing the Adam Opel Company, ("Germany: Wide Open Market," February) mention is made of the Managing Director, Edward W. Zdunek as coming from Montana. This is incorrect. I am his sister, and he was born and raised in this little town, Sauk Rapids, Minn. Perhaps it doesn't matter much where he came from but I think Minnesota should get the credit.

BERTHA ZDUNEK  
*Sauk Rapids, Minn.*

## Another Solution

Your excellent article "Offices Short 600,000 Workers," (December 1955) will be well received and studied by many office managers throughout the country. The suggestions made were timely and valuable.

May we suggest another method to ease the current problem. Business firms both large and small are using the services of temporary help service bureaus to assist them in meeting their peak season and emergency office problems. These organizations stand ready to help whether the work is for four hours, a day or two, a week, a month or more.

ELMER L. WINTER, Pres.,  
*Manpower, Inc.,  
Milwaukee, Wis.*

## They were ready

In the February article entitled "We Don't Need Federal Aid For Schools," there is a photograph of a classroom in Evanston, Ill. Will you explain to me why the children have their shoes resting on the floor, and all the feet visible have sneakers?

MRS. KERMIT WERNER  
*Wind Gap, Pa.*

Youngsters were ready to attend gymnasium class the following period.

## Topsoil down the drain

To say they (the recent floods in northern California) are an act of God is sheer blasphemy. It's just about time for a reappraisal of our soil and water conservation policies.

The principal causes of floods are: deforestation and denudation of our land; paving and draining of large areas; the loss of 1,000,000,000 tons



of topsoil through soil erosion rendering the land less able to retain the raindrop where it falls; failure to replenish soil losses; failure to divert the runoff during floods into the subsoil where it belongs.

Forest floors are the best bulwarks against floods and soil erosion... why do we keep decimating them? ... Topsoil, being rich in humus, is able to retain a great deal of water when protected from erosion... the loss of so much renders our land less able to absorb the rains. Our soil protection methods are still inadequate... the conversion of organic discards into humus is a missing link in flood control.

FRANK D. STEINER,  
Orinda, Cal.

### Labor department

It seems to me you have done an interesting job ("Built-in Wage Boosts Point to Rising Pay.") I am passing it around for the staff to read.

EWAN CLAGUE  
Commissioner  
Bureau of Labor Statistics  
U.S. Department of Labor  
Washington, D.C.

### On future trends

Our management wishes to provide its key officials with information that reflects the thoughts and opinions of a selected number of economic and business advisers. The chief objective is to place in the hands of these officials an occasional resume of the forward thinking of individuals and organizations, outside of this corporation, who have a demonstrated reputation and skill in interpreting known existing facts in the light of what future trends may result from them. We would like very much to include excerpts from NATION'S BUSINESS. We will appreciate your permission to make such quotations.

JOHN A. DRAKE  
Borg-Warner Corporation  
Chicago, Ill.

Permission granted.

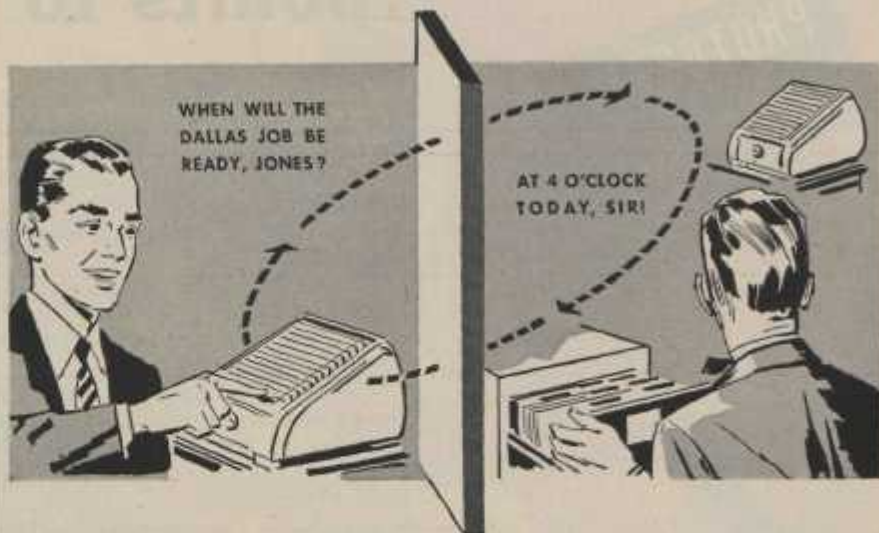
### Required reading

We would appreciate your sending to us ten reprints of the article entitled "Success Won't Save Your Business." This appeared in the October, 1955, issue.

We intend to make this required reading for our directors and executives and believe it to be one of the finest pieces of thoughtful problem analyzing that we have ever come across.

OLIVER CROMWELL IX  
President  
School Thrift Inc.  
Yonkers, N. Y.

# How to get more working minutes per hour!



There's no need for personnel to waste valuable time walking back and forth for information and instructions. With Executone Intercom they just push a button and talk—*instantly!*

Walking time becomes *working* time. Telephone lines are

kept open for outside calls; roving employees are located *immediately!* Production is increased, costs are cut.

Installations in every type of business and organization *prove* that Executone *pays for itself many times over!*



**Don't Walk...Talk!**

### PLUS "BUILT-IN" COURTESY!

Executone protects your privacy, never interrupts. Its Chime-Matic® signalling announces calls by soft chime and signal light! Mail coupon below and find out how *courteous* Executone pays for itself in more *working* minutes per hour!

**Executone**  
INTERCOM AND SOUND SYSTEMS

**ACT NOW!**

EXECUTONE, Inc., Dept. G-5, 415 Lexington Ave., New York 17, N. Y.  
It sounds interesting. Send me the following—  
at no cost or obligation:

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☐ Switchboard Relief

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photocopying  
satisfaction!



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Together with the splendid MICROTRONICS Microfilm Equipment which we manufacture, the large family of PHOTOSTAT Photographic Copying Equipment and Paper now available is designed to open the door, for every user, large and small alike, to the best there is in photocopying, on both paper and film . . . the accepted modern method for making and preserving economical, error-proof copies of anything printed, written or drawn.

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## PROGRESS:

# Consumer confidence points to good year

U. S. CONSUMERS are overwhelmingly optimistic about business prospects for the coming 12 months.

This confidence will mean a continued strong demand for the goods and services of American business and industry.

The Federal Reserve reaches these conclusions after preliminary study of its eleventh annual Survey of Consumer Finances.

The survey, prepared for the Board of Governors of the Federal Reserve by the Survey Research Center at the University of Michigan, shows:

- ▶ Americans are optimistic about their own financial position and income prospects.
- ▶ Most consumers expect good times to continue for at least another year.
- ▶ Consumers plan to buy more houses in the next 12 months than they expected to buy a year ago.
- ▶ Consumers plan to continue to buy automobiles, furniture, appliances and other items at a high level.

These findings are based on 2,800 interviews with consumers conducted in January and February in the nation's 12 largest metropolitan centers and in 54 other sampling areas throughout the country.

The survey has proven to be a remarkably accurate foreshadower of consumer actions. The Board of Governors of the Federal Reserve sifts its findings carefully and sometimes uses them as the basis for Board action. Company planners,

economists, newsmen and others regard them as economic indicators.

One of the more significant questions which the University of Michigan's interviewing teams ask consumers in the survey is:

"Now considering the country as a whole, do you think that in the next 12 months we will have good times or bad times or what?"

Sixty-four per cent of the persons interviewed this year say that they expect good times. Five per cent take a middle position between good times and bad times; nine per cent say they look forward to bad times, and 22 per cent indicate uncertainty.

Answering this question last year, 59 per cent of the consumers said they expected good times; five per cent took a middle position; 12 per cent anticipated bad times, and 24 per cent were uncertain. Thus more people expect good times and fewer people forecast bad times this year than last—and 1955 was the biggest year ever for U. S. business!

Comparison of the 1956 answers with those of 1954 is even more startling. Only 43 per cent of the consumers questioned in early '54 expected good times; eight per cent took a middle position; 25 per cent went on record as anticipating bad times, and 24 per cent expressed uncertainty.

Purchase plans of consumers, as evidenced in the interviews, are about the same as last year. A slight increase in the number of nonfarm consumers planning home purchases

### ▶ Median expenditures planned for 1956<sup>1</sup>

Item	1956	1955	1954	1953	1952	1951	1950	1949
New automobile	\$2,850	\$2,830	\$2,500	\$2,500	\$2,300	\$1,970	\$1,920	\$1,990
Used automobile	820	860	750	900	600	590	540	630
Furniture and major household appliances	300	300	300	300	290	300	290	250
Home improvement and maintenance (nonfarm) <sup>2</sup>	380	330	300	3	3	3	3	3

<sup>1/</sup> Data for automobiles are based on planned expenditures of spending units reporting that they definitely or probably will buy; data for other items include, in addition, planned expenditures of spending units reporting that they might buy.

<sup>2/</sup> Includes only planned expenditures of \$50 or more.

<sup>3/</sup> Not available.



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shows up this year. This constitutes the only increase in the purchase estimates. Nonveterans account for most of the rise, according to the Survey's analysts.

**Other purchase intentions:**

Home improvements and maintenance (\$50 or more)—22.6 per cent indicated in this year's survey compared with 22.7 indicated a year ago.

New automobiles—8.2 per cent in this year's survey compared with 8.2 per cent a year ago.

Used automobiles—7.2 per cent in this year's survey, 7.5 per cent in 1955.

Furniture and major house appliances—28.0 in this year's survey, 28.5 in 1955.

About one half of the consumers planning to buy furniture and household appliances in 1956 intend to use installment credit. The proportion is somewhat lower than in 1955.

Consumers who said they plan to buy autos this year anticipate using installment credit to finance their purchases more frequently than did those reporting in 1955.

Results of the survey are especially encouraging insofar as they relate to the financial position of individual spenders.

"Increases in income were widely distributed among consumers last year," comments the Federal Reserve in its monthly *Bulletin*. "Most of the major occupational groups except farm operators shared in the increases. These increases were reflected in a tendency for the whole income structure to shift upward."

About 35 per cent of the consumers contacted reported receiving incomes (before taxes) of \$5,000 or more in 1955, as compared with 32 per cent in 1954 and 31 per cent in 1953. The larger proportions in the over \$5,000 group were accompanied by smaller proportions for those in the \$3,000-\$5,000 income category, which included only 28 per cent of the consumer spending units last year as compared with 31 per cent in 1954, and 32 per cent in 1953.

Little change in the distribution of liquid assets among consumers is apparent in this year's results, but a slightly larger proportion of consumers reported holdings exceeding \$200.

Two fifths of the consumers feel they are better off now than at the beginning of 1955, and less than one fourth feel they are worse off. These proportions, says the Federal Reserve, are more favorable than in any other recent year.

As far as their own income prospects are concerned, two fifths of the consumers expect to be making more a year from now and less than one tenth expect to be making less. **END**



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## "When does a businessman know if he has enough fire insurance?"

asks Steve W. Zaczek



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Hardware Mutuals  
File No. 3-41W 646

"I received the answer to that question just a year ago last March.

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"To me, however, the story of Hardware Mutuals service goes back years before the night of the fire. It goes back to the time when I first met my Hardware Mutuals representative. For without his skilled counsel and good planning I would not have been properly protected and would have suffered a severe financial loss.

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# Trends

## of Nation's Business



## THE STATE OF THE NATION

BY FELIX MORLEY

### States' rights dwindle as land control increases federal government powers

The United States, in theory anyway, is a federal republic. By contrast with a centralized government, our system is a union of largely self-governing states. Each has its own state capital, its separate system of taxation and policing, its locally elected legislature and governor. And every American, except those unfortunates permanently confined to the District of Columbia, has dual citizenship—of the United States and of the state which is his legal residence.

But there is considerable doubt as to whether the United States will, or can, maintain the federal structure so clearly defined by our Eighteenth Century Constitution. The trend toward centralization moves at an accelerating pace. The long arm of the federal government reaches ever deeper into the states, taking over more and more functions that used to be handled locally. Highways, housing, pensions, reclamation, agricultural controls are illustrations. The cost of state government does not diminish, because all its traditional apparatus is maintained. But the duties and responsibilities of the states are increasingly en-

croached upon by Washington, for the most part with general acquiescence.

This movement toward federal domination, and the consequent decline in the importance of statehood, is graphically depicted in an "Inventory Report on Federal Real Property," recently compiled by the General Services Administration at the request of the Senate Committee on Appropriations. It is welcome news that such reports will henceforth be prepared annually, because the control that a government exercises is well indicated by the extent of real property that it owns.

In Soviet Russia, which prides itself on being a completely socialist state, all of the land is nationalized. In the continental United States, as of June 30, 1955, a little more than one-fifth of the land—21.4 per cent to be exact—was owned by the federal government. Another three per cent of the total area, principally Indian reservations, is held in trust by Washington. Counting the relatively small tracts owned by the various state governments, something more than one-quarter of the country is held for—but not by—the people.

• • •

The greater part of the federally owned land, one should note, was never privately owned by Americans. It is the remainder of the enormous public domain taken over with the Louisiana Purchase and the winning of the West. Of the 407,900,000 acres currently owned by the federal government, 357,200,000 are this residue of public domain. The other 50,700,000 acres is the part that has passed from private to public ownership, by condemnation, donation or expropriation as a result of governmental claims.

But, while the area of the old public domain has long been dwindling, the net total of government real estate is climbing. Uncle Sam, like other shrewd speculators, is buying a good deal more land, and on the whole better land, than he is selling. This is revealed by comparing the current report of the G.S.A. with a similar study made by Executive Order of President Roosevelt shortly before World War II, and printed as House Document No. 111 of the Seventy-sixth Congress, first session.

This earlier document shows that on June 30, 1937, the federal government owned 394,700,000 acres in the continental United States, of which 365,800,000 were originally public domain and 28,800,000 had been otherwise acquired. Comparing this with the current G.S.A. report (Senate Document No. 100, Eighty-fourth Congress, sec-



## State of the nation

ond session) we see that in the past 18 years Washington has sold 8,600,000 acres of the old public domain, but has, in the same period, acquired 21,900,000 acres from private ownership. Indeed more than 40 per cent of all the land bought by the federal government since 1789 has been acquired during these past 18 years.



One would expect to find the huge holdings of federal real estate most heavily concentrated in the West, where the public domain predominates. Nevertheless it is startling to learn that the national government owns more than half of the total acreage in each of four western states. With the percentage of federal ownership these are: Nevada, 87.1; Utah, 70.2; Idaho, 65.2 and Oregon, 51.3.

At the other end of the scale are six states in each of which less than one per cent of the area is federally owned: Connecticut, 00.2; Iowa, 00.3; Kansas and Maine, each 00.6, New York and Ohio, each 00.9. These figures exclude the Indian Reservations, which would make the western percentages even higher.

In 1937 there were 13 states in each of which the federal government owned less than one per cent of the acreage. And at that time the percentage of Nevada and Utah possessed by Uncle Sam was 82.7 and 60.5 respectively. In other words the trend toward federal ownership is increasing not only for the nation as a whole, but also in nearly every state. An exception is Arizona where during the past 18 years much more acreage has been sold than purchased by the various Washington agencies.

A major reason for the rapid increase of federal real estate is, of course, the development of huge military reservations since 1937. The current G.S.A. survey shows that these, including airfields, now absorb more than 20,000,000 acres, scattered over the length and breadth of the country. In addition the Atomic Energy Commission now owns 1,700,000 acres in 26 different states, and the Tennessee Valley Authority 700,000 acres in seven states. Even the U. S. Information Agency owns real property in four states now. These developments go a long way to explain why the national government has taken so much land from the states since the outbreak of World War II.



But more important than the reasons for this loss of territory by the states are its implications for the continuation of local self-government. Of Nevada's 17 counties there are four in which the

title to every square foot of land now vests in Washington. And that holds for almost nine acres in every ten throughout the state as a whole. The situation gives Nevada's motto: "All For Our Country," a distinctly sardonic twist. It further raises the question of whether Nevada is not fundamentally much more a federal territory than a "Sovereign State."

The Constitution (Article IV, Section 3) gives the Congress "power to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States." Many Acts of Congress have consequently allotted defined taxing power to specific states over federal land or enterprises within their borders.

But these are only provisional grants, like the contribution which Congress makes annually to the District of Columbia as its outright ward. Nevada today has actual fiscal authority over little more than ten per cent of the land within its boundaries. And while gambling and marriage annulments provide the state treasury with helpful revenues these local industries could not possibly support Nevada's government if Congress should decide to cut off its subvention.

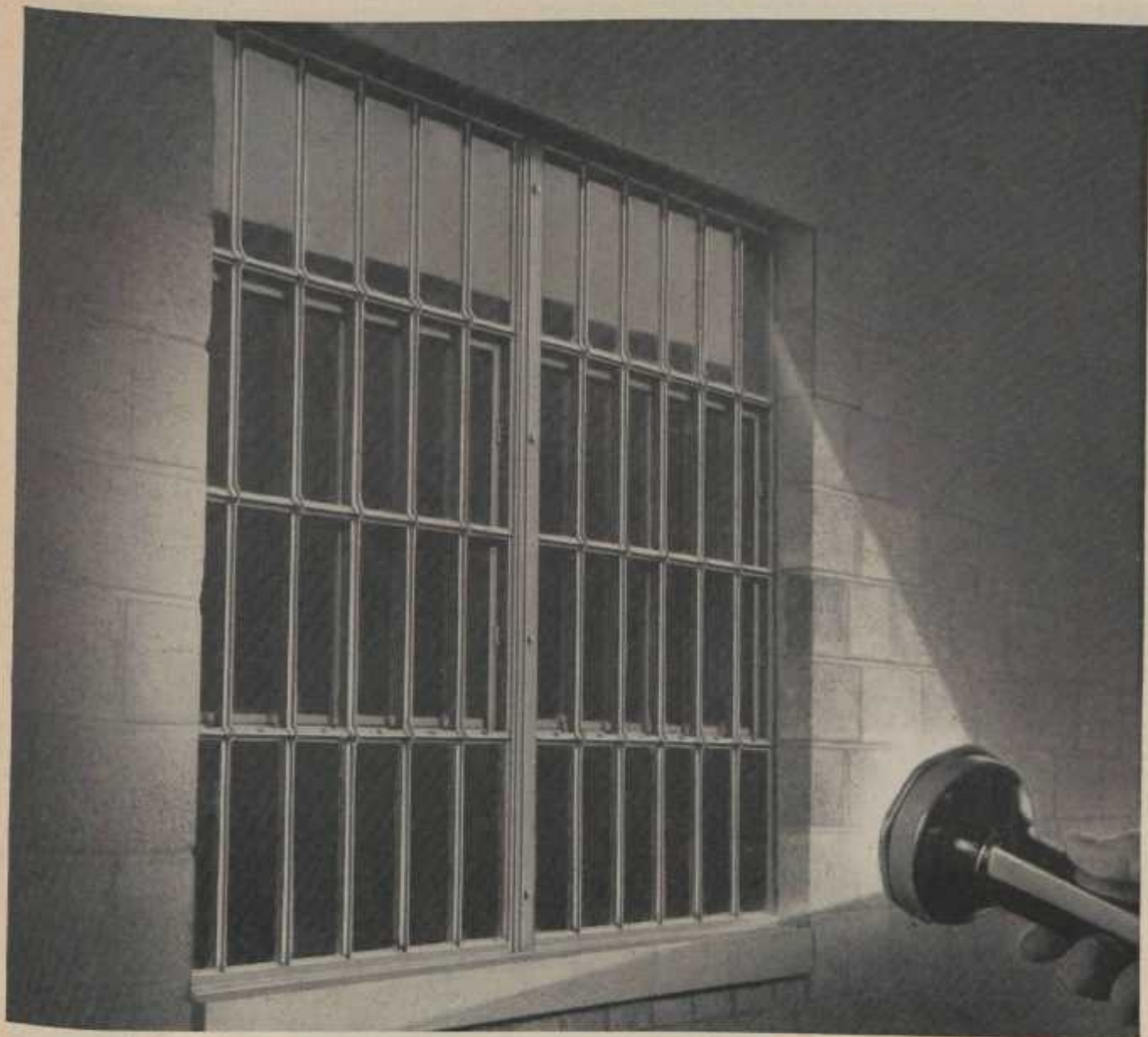


Ever since Chief Justice Marshall gave his famous opinion, in the case of *McCulloch vs. Maryland*, the right of a state to tax a federal undertaking within its borders has been contingent. Later judgments extended the federal immunity to real estate. In 1885 the Supreme Court ruled flatly that "no state can tax the property of the United States without their consent." After a careful study of all the legal background a prominent tax authority, Prof. John G. Herndon, concludes: "No state may tax the real estate owned by the United States, or by an instrumentality of the United States, unless Congress has given its consent to such taxation, and then only in strict conformity with the terms of such consent."

The power to tax is an essential attribute of sovereignty. It follows that when the power of a state to tax is contingent over nearly 90 per cent of its area, the sovereignty of that state—and with it so-called states' rights—is diminished to that extent. For those who would like to maintain the republic as founded, the issue is important.

Nor is it merely academic. The Navy Department is now claiming that it has "an absolute property right" to all water within a 180,000 acre reservation in Nevada. In this nationalized area, says the Navy's general counsel, Nevada's water laws do not apply. If that claim holds then Nevada, and other states in proportion to the land they govern provisionally, will all be wards of Washington rather than sovereign partners in a federal union.





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# Trends

## of Nation's Business



## WASHINGTON MOOD

BY EDWARD T. FOLLIARD

### Democrats disagree on strategy and tactics as G.O.P. rides high with Ike

IT IS CLEAR that we are in for a presidential campaign quite different from anything in our history.

There are some imponderables in the political picture at the moment that ought to discourage prophecy. But here is a report on the situation as it exists in Washington a little more than seven months before the 1956 election:

The Republicans, needless to say, are jubilant over the President's long-awaited "yes." They feel that another Eisenhower victory is certain in November barring some mishap to their hero.

The Democrats, all hope gone of facing a less formidable candidate, will make a fight of it, as they always do, but they are far from agreed on their strategy and tactics. They confess, too, that they could use some breaks.

• • •

The situation, as the Republicans see it, is a turn-around from what it was 20 years ago, with President Eisenhower now dominating the political scene as Franklin D. Roosevelt did then, and having the same aura of seeming invincibility.

Indeed, the Republicans have even appropriated FDR's old political sobriquet, pinned on him by Wendell Willkie, and are now calling their own great vote-getter "The Champ."

Not many of our political railbirds here challenge the Republicans' rosy forecasts. There are some, though, who would like to wait a while and get a better reading on two things. They would like to see how deep the health issue is going to cut, and also see what happens to Vice President Richard M. Nixon.

In the aftermath of President Eisenhower's second-term announcement, the Washington air re-

sounded with words and phrases like "boomerang," "bad taste," "part-time President," and "dump Nixon."

The disagreement over the Democratic strategy came on the question of the President's health. Paul Butler, chairman of the Democratic National Committee, sought to make this an issue right off the bat by saying: "The American people will never elect a President who, at 65, has had a serious heart attack and who is unable to be a full-time Chief Executive." Adlai Stevenson and other top Democrats joined Butler in using the "part-time President" argument.

Leonard Hall, chairman of the Republican National Committee, struck back quickly. He recalled that in 1944 some Republicans wanted to make an issue of Roosevelt's failing health, but were overruled. He said it was decided that it would be in bad taste and would boomerang.

"Let the Democrats carry on this campaign with the President's health an issue," Mr. Hall said, "and it will boomerang and cost them votes."

Some of the more conservative Democrats in Congress agreed with Mr. Hall and said they would have nothing to do with the health issue. Most of these, it should be said, have rarely if ever criticized the soldier-statesman, feeling that criticism might hurt their own chances of reelection.

Chairman Butler insisted he had every right to talk about the President's heart attack. Who had brought this matter into the political arena? he asked. He answered: "The President himself."

It is a fact that President Eisenhower has talked a lot about his heart attack, and sometimes with great candor.

He has believed, obviously, that it was the honest thing to do; it is even possible that he has also believed that it was good politics, the best way to disarm his Democratic critics. The



## Washington mood

President said in January that it would be "idle to pretend" that his health could ever be "wholly restored" to what it was. He said with equal frankness that he would have to lead a carefully regulated life in the future to "avoid excessive fatigue."

In telling the American people that he was a candidate, he said he would delegate some of his chores "which can be done equally well by my close associates"; that he would cut down on his letter-writing, public speeches, and social and ceremonial activities, and that he would not wage a whistle stop or barnstorming campaign for reelection.

Some of the President's friends thought he had gone too far, been too frank.

Well, this much is certain: The President said exactly what he wanted to say. He is not an excessively vain man, but neither is he overly modest. He knew, when he decided to run again, that his political outlook was bright, that the Gallup Poll showed him to be near the peak of his popularity and an overwhelming favorite to defeat Adlai Stevenson or any other candidate the Democrats might put up against him. He was confident, therefore, that the voters would elect him for another four years and on the terms that he laid down.

Chairman Hall and the other Republican strategists appear not to be worried at all by the health issue.

What about those people, avowed friends of the President, who say that they are going to vote against him "for his own good"—to prolong his life by retiring him to Gettysburg? The G.O.P. high command insists that the number of such voters is so small as to be unimportant.

Then, of course, there are the Republicans who say, "Ike, yes, but not with that Nixon . . ."

That brings us to that curious phenomenon, the "dump-Nixon" movement, if it really could be called a movement. It developed as President Eisenhower began to recover from his heart attack, and as hopes rose that he might be able to run again.

Around Christmas time reports began to circulate in Washington that it was by no means certain that Nixon would be on the '56 Republican ticket if the President decided to run again.

The main argument against Nixon was that he would be a liability to the President; that is, cost him votes. The reasoning behind this was as follows: that Nixon was too much of a partisan, too controversial; that many people questioned his sincerity; and that he would frighten away

voters, especially independent voters, who would be thinking of him as "only a heart beat away from the Presidency."

Chairman Hall and other well posted Republicans are predicting that the ticket will again be Eisenhower and Nixon. They don't see how it could be any other way in view of the President's frequent, and sometimes lavish, praise of the 43-year-old Californian.

The Democrats hope to benefit no matter which way it goes. They have a profound dislike for Nixon, feeling that he reflected on their patriotism in his anticommunist speeches in 1954, and they will go after him ferociously if he is on the ticket; if he is dropped in favor of another, they will argue that it is an acknowledgement that President Eisenhower is a serious risk and may die in office.

Looking back on the five months that intervened between President Eisenhower's heart attack and his second-term announcement, I am again reminded of how hazardous it is to try and foretell the future, especially where you are dealing with human emotions and politics.

Having been in Denver in those September days when the President was under an oxygen tent, I can testify that some of his closest friends and associates would have bet 100 to one against the chances of his ever running for a second term. The question in their minds was not his political future; it was whether he had any future at all.

Later on, during the convalescence at Gettysburg, hope began to rise that the President might be able to seek reelection after all.

But some of the arguments one heard at the time now seem completely unrealistic. A familiar one went like this:

"Ike's a professional soldier. He's not afraid to die. In fact, I bet he'd rather die with his boots on. You watch, he'll run again."

Those who talked that way can now boast that their forecast was right. They wouldn't, however, be able to say much for their reasoning.

President Eisenhower certainly did not make his decision to run again in any spirit of heroism. Look at what he said, and you'll find that he did not even put it on the plane of duty. He doesn't expect to die in the White House, in his boots or out of them. He says he is running again because his doctors have told him he can do the job and survive, and because he wants to push ahead with his program. The fact is—and his friends agree on this—Dwight D. Eisenhower likes being President of the United States.

Also, as he told a television audience, some of his doctors have assured him that he would be safer from a health standpoint in the White House than away from it, for the reason that a President is under constant medical supervision.



## A partner's death dissolves a partnership ... but it needn't dissolve the business!



By law, a partnership is usually dissolved when one of the partners dies. The business itself, however, need not be liquidated immediately. It can be reorganized—and continue to thrive.

But all too often, the business also succumbs to the complications that follow the death of a partner.

In some instances, the heirs are disinterested relatives who insist on selling out. In other instances, relatives who consider themselves capable try to step in and run the business their own way. In either case, all you have built is quickly torn down.

You can avert these difficulties by taking two simple precautions. First, ask your attorney to draw

up a Buy and Sell Agreement for the purchase of a partner's share in the event of death. Then call in The Travelers man for *Partnership-Life* insurance to provide money for the purchase.

You'll find that *Partnership-Life* costs less than the interest alone on what you would have to borrow (if you could borrow it!) to purchase the deceased partner's share.

There are no simpler, more sensible precautions to take than these.

Why not see The Travelers man and your lawyer this week? (Or for additional information, attach the coupon to your letterhead and mail.)

**The Travelers, Hartford 15, Connecticut**

Please send me further information about Travelers Partnership-Life insurance.

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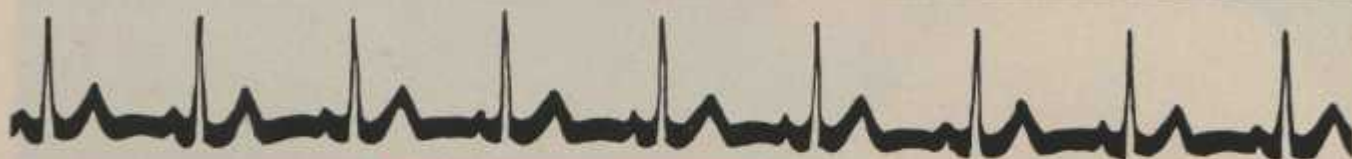
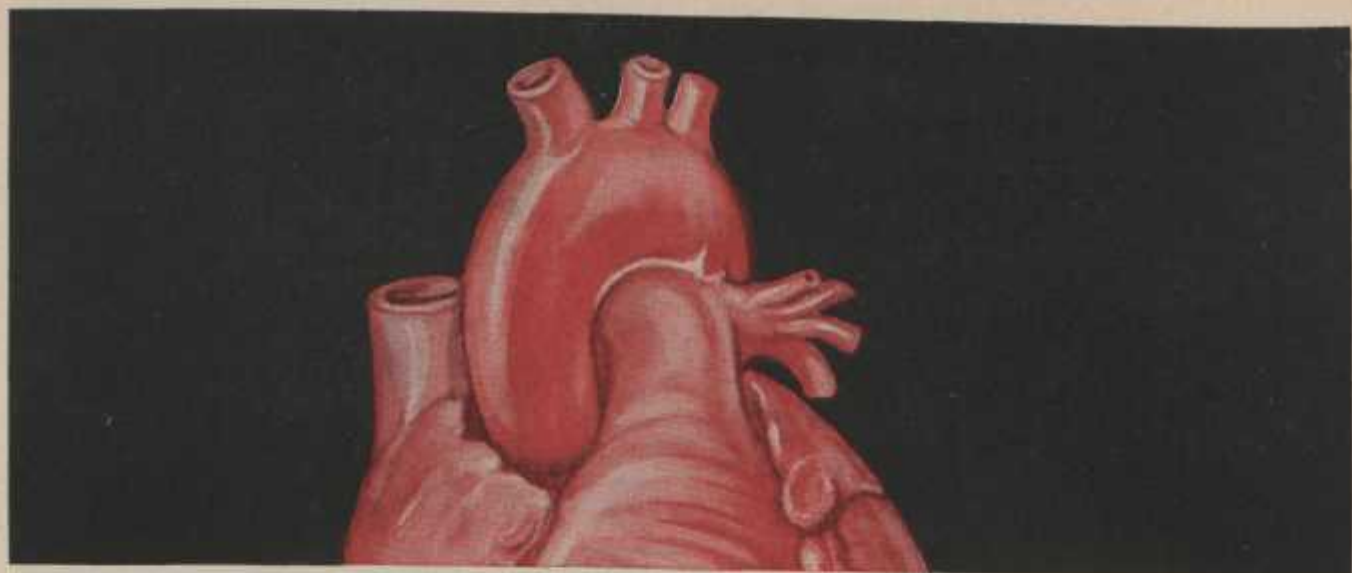
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**T**his picture records a healthy heartbeat.

Not all Americans are so fortunate. Diseases of the heart still bring about more untimely deaths than any other cause.

However, steady advances are being made in the preventive knowledge and curative care of heart ailments. These advances are made possible by dedicated people—men and women of the medical, research, nursing and hospital professions.

Supplying these people with the finest equipment and materials is the purpose of the American Hospital Supply Corporation. Every year, hundreds of new and improved products are developed for hospitals, laboratories and medical schools by American, the largest company in this field.

And the factors which will perpetuate American's acceptance are its permanent guarantee of superior product quality and its continuing ideal:

*Serving the Men and Women dedicated to the Care of Human Life*

**American Hospital Supply Corporation**

General Offices—Evanston, Illinois



# 10 STEPS TO HELP YOU SELL

Persuasion helps to move products, ideas and services. Research has set up several guideposts which you can use to advantage

EFFECTIVE persuasion is an important part of the businessman's daily job.

It is called many things: advertising, publicity, labor relations, civic activity, propaganda. But whether the purpose is to get customers to buy your goods, managers to try new methods, employees to work more diligently, governments to reduce taxes, the basic goal is to convince people that this is the thing to do.

Research carried on over many years has reached a point where it is possible to set up some accurate guideposts by which present efforts at persuasion can be measured and future efforts planned.

Effective persuasion, whether it is a single speech, an advertising campaign or cold war propaganda, is divided into two parts: the appeal and the theme.

**The Appeal** is the reward, gratification or goal which you try to get the targets of your persuasion to an-

ticipate. This may be security, personal betterment, recognition, higher pay or anything else with which the audience can identify itself.

**The Theme** is the course of action you recommend for gaining this gratification. This may be buying your product, using your service, staying on the job instead of striking, working more effectively, reducing waste, favoring tax reductions.

The man who hopes to gain followers for his product, his service or his ideas must, therefore, ask himself: "What does this audience want and why is my suggestion the best possible way to attain it?"

Here are ten points to keep in mind when you attempt to answer that question:

## 1. Remember that your audience will resist change.

*The audience for your message is largely self-selective. That is, people tend to expose themselves*

*to information which is consistent with their prior attitudes and to avoid exposure to information which is opposed to these attitudes.*

This means that your message is most likely to reach those who already accept your point of view, leaving untouched those whose ideas you wish to change. Unless you can gain the attention of those who oppose your views, the main effect of your message will be to reinforce the attitudes of people already on your side.

Reinforcing existing favorable opinion is, of course, worth while. It strengthens resistance against counterarguments and prevents defection among your present followers. But it is not persuasion.

A recent study of advertising effectiveness showed that although some people bought the product because they read the advertisement, many others read the ad because they had already bought the product. They wanted reassurance that they had made a sound purchase.

We find the same thing with political campaigns. People tend to read editorials and listen to speeches which support their party preferences. Campaign propaganda thus tends to reinforce existing convictions rather than to change them.

But what about those who are undecided? Whose messages are they exposed to? Research shows that few people are truly undecided. They almost always have at least an unconscious leaning one way or the other. They read and listen selectively to strengthen this leaning. As the campaign proceeds, their selective exposure to political arguments serves to crystallize these vague leanings. People who are truly undecided usually handle the conflict by either losing interest in the election or deferring as long as possible the task of making a decision.

## 2. Shape your message to fit the attitudes of your audience.

*Your message will be more readily accepted if it is congenial with the attitudes and beliefs of your audience. If it conflicts with these, the audience will distort your meaning so as to support, rather than to contradict, their present thinking. If this is not possible, they will reject your message completely.*

This means that, among those whom you wish to persuade, your message may reinforce the very at-



## 10 STEPS *Continued*

attitudes you wish to change. This result—known as the boomerang effect—is especially likely if you attempt to persuade through neutral, impartial or balanced accounts of controversial issues.

Experiments in propaganda have shown, for instance, that with such presentations, both "pro" and "con" members of the audience tend to see

and beliefs of your audience. One technique which sometimes helps is for the communicator to state explicitly at the outset that he agrees with the audience. One way is to advocate, early in the message, views which you know your audience holds. Experimental studies have demonstrated that this method is effective in changing attitudes even

consumers hold the opposite belief because proclaiming this viewpoint gives them a sense of superiority. In this case the belief is held because it gives a lift to the ego.

Many attitudes are held because they give us acceptance in some group in which membership is highly prized and makes available opportunities which would otherwise be lacking. The union member who aspires to be accepted by his fellow workers is highly receptive to their views on labor relations. Similarly, the young management man who aspires to move upward is strongly motivated to understand the outlook of management.

Other attitudes are wish-fulfilling; they enable us to believe what we want to believe. They may serve as a defense against unwanted and disturbing realizations.

Attitudes may also provide outlets to feelings of hostility and aggression. If you are frustrated or angered by someone, it is useful to believe that the person is bad.

Furthermore, attitudes serve to simplify and economize our actions. To believe that all advertising is untruthful, that management men are selfish and dictatorial, that government workers are inefficient and disorganized, releases us from having to evaluate individual cases.

Finally, attitudes are gratifying in that they may explain situations which do not explain themselves.

### PEOPLE ADOPT AN IDEA BECAUSE:

... it may let them do what they want to do; buy cheaper products, say, because they believe higher-priced brands are no better



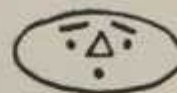
... it may provide acceptance in a desirable group... a young management aspirant will want to understand management's outlook

... an outlet to feelings of aggression and hostility is needed. It allows the belief that one who angers or frustrates is bad



... it helps to simplify and economize actions. Judgments are easier with generalizations; precise distinctions don't have to be made

Many attitudes are gratifying in that they may help provide an answer for those situations which do not explain themselves



#### 4. Try to clarify ambiguous situations.

*Your message will be more readily accepted if it gives meaning to situations which do not explain themselves. When we face unclear, ambiguous situations, we develop a need for meaning. We become receptive to interpretations which satisfy this need.*

Many issues with which we must deal are not susceptible to direct examination and the gathering of explanatory facts. Or, perhaps the information we need to make sense of a situation is withheld, as with the case of wartime censorship. Occasionally, for some reason, we feel that our traditional way of viewing an issue is no longer valid. Under these circumstances we search for new meanings, and we are likely to borrow them. We become receptive to packaged solutions and explanations from other sources. The propagandist with the most satisfying package makes the sale.

For this reason propaganda is especially successful in time of con-

the presentation as supporting their own respective viewpoints.

A few years ago a large utility company conducted an orientation program on free-enterprise economics in an effort to align its employees against creeping socialism. A check of the program's effect, however, showed that a large number of the employees saw the facts the company presented as supporting their own ideas on governmental control.

The program was a success in that it gave the employee new economic information. But it failed to achieve the company's objective because the people in the audience accepted only those items which fitted their own prior opinions.

To avoid this type of resistance, you must shape your message to fit in with the other related attitudes

and when the subsequent part of the message is in disagreement with the audience.

#### 3. Try to gratify the needs of your audience.

*Your message will be more readily accepted if the attitudes it recommends gratify your audience in some way.*

Opinions are held because it is rewarding to do so; they have value in coping with problems; they satisfy certain needs.

Some attitudes enable us to do what we want to do; they serve as rationalizations. Certain consumers, for instance, believe that higher-priced brands are no better than lower-priced. This belief allows them to buy cheaper products. Other



fusion and when traditional standards of judgment no longer seem to apply to our problems.

Propagandists have been known to engage first in a preliminary campaign designed to create a lack of clarity—then come in with a prepared interpretation which removes the confusion they themselves have created. Russia has frequently done this. By deliberately arousing confusion over a country's domestic issue, communist propagandists pave the way for Russian explanations: confuse, explain, and control.

### **5. Be sure you are viewed as a credible source.**

*Your audience's image of you has an important effect upon the acceptance of your message. You must be viewed both as an expert on the issue and as trustworthy.*

Your public image is the kind of person or organization your audience believes you to be. An important aspect of this image is your credibility.

Experiments indicate that the same message will be more readily accepted when coming from highly credible sources than from a source of low credibility.

Your credibility depends largely on (a) whether your audience believes you are capable of making valid statements on the issue, and (b) whether your intentions can be relied upon.

Thus it is often necessary to engage first in a preliminary campaign to establish your credibility. A useful technique is to make assertions or predictions which the audience is sure to verify for itself.

American psychological warfare broadcasts used this method in World War II.

The German people were given news and other information which was denied to them at the time but which they eventually would learn. They would be told, for example, that certain German divisions had been defeated—information which had not yet reached them. Inevitably they were able to verify the truth of these announcements. This made it easier for them to believe other, less verifiable, statements in future broadcasts.

Once credibility is established, you can gain acceptance of statements of opinion which cannot be verified by direct experience.

But bear in mind that merely giving the facts or the truth is not enough to establish credibility. What is real is what people define as real; a fact, regardless of its actual

truth or falsity, must be viewed as true by your audience. The campaign of truth works only if your message fits your audience's conception of truth. In general people will accept as true those assertions which fit their preconceived notions, or which can and will be verified by them.

### **6. Draw the conclusion for most audiences.**

*In general, your message should directly state the desired conclusion of your premises, rather than let the audience draw its own conclusion from the evidence you present.*

In a demonstration of this principle, two comparable audiences heard a recorded speech on devaluation of currency. The speech was a simple explanation of the economic factors which make devaluation desirable or undesirable in relation to conditions in the United States. The implied conclusion was the desirability of devaluing American currency. Both audiences heard the same speech except that for one audience the explicit conclusion was omitted. A later check showed that more than twice as many people changed their thinking to agree with the speaker when the conclusion was explicitly spelled out.

While research on this point is still tentative, there is reason to believe that this principle holds especially when your audience is less intelligent or when it is not deeply interested in the topic.

On the other hand, if the audience is suspicious of your intentions, it

appears better not to spell out your conclusion explicitly; you should arrange your arguments and let the audience draw its own conclusions.

### **7. Sometimes it's better to give both sides.**

*You should include arguments opposed to the position that you recommend if your message is directed to better educated audiences or those who initially oppose your stand. This two-sided approach is also better if your audience is subsequently exposed to counterarguments.*

This two-sided approach is superior with those who initially disagree with you because it disarms the objections which they are mentally rehearsing while receiving your message. It is dangerous to assume that arguments favoring the other side will do no harm if left unvoiced. If your audience has these arguments in mind it is better to bring them out where they can be dealt with.

If your audience is likely to meet with arguments for the other side sometime in the future, the two-sided presentation prepares them to discount these opposing persuasions.

Numerous studies demonstrate the superiority of the two-sided approach. A Chicago advertising agency recently tested the technique in conjunction with advertisements for a household wax, an automobile, and a gas range. The results showed a marked superiority for the two-sided approach over the one-sided in creating consumer preference.

*(Continued on page 96)*

THE AUTHOR, Prof. James N. Mosel of George Washington University, is a consultant to private business on industrial psychology and has done extensive research dealing with attitudes of people and advertising techniques for leading magazines and advertising agencies.

During the Korean war, Prof. Mosel tackled psychological warfare problems for the Navy and was executive secretary of the psychological warfare working group of the Research and Development Board in the office of the Secretary of Defense.





# Slow traffic laws waste *fast roads*

Unrealistic speed limits, outmoded ideas in traffic control defeat highway improvements, and make law violators out of good drivers

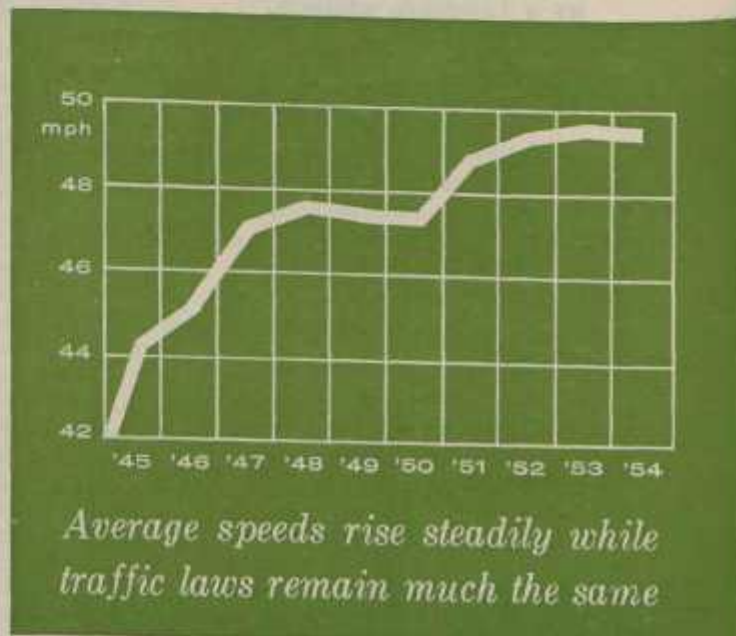
WE MUST modernize our traffic laws or prepare to accept less than full value for the \$50,000,000,000 federal highway program we are about to undertake.

Although the cost of new regulations would be negligible, modernization in this field may be more difficult than raising billions for construction. It will mean upsetting some time-honored ideas in highway control.

Ever since the first automobile chugged its noisy way among the startled horses and amazed public, the motor car has been subjected to every restrictive traffic law conceived by man. There has been a concerted effort to curtail its movements with stop signs, traffic signals and speed limits. This attitude is already costing us much of the advantage we might gain from improved automobiles and highways. Unless we think more in terms of "go" than "slow" in drafting regulations, it is going to cost us more.

If we are to have effective traffic control we need to answer several basic questions:

- Are current traffic regulations realistic?
- Do they recognize the trend toward higher speeds and the need for uninterrupted flow of traffic?
- Are speed limits high enough to insure that a violation is a gross misdemeanor or do they make violators out of reasonable drivers?
- Is enforcement too rigid for less important traffic law infractions and not rigid enough for serious offenses?



Hundreds of studies show that the answer to these questions is no. Today the majority of our drivers are consistently violating the legal speed limits. This doesn't mean that the motorists are willful law breakers. It does mean that something is wrong with our regulations.

These traffic studies also bring out a number of basic principles which need to be observed if we are to get full benefit not only from the roads we are planning to build but from those we already have. Among them are these:

- *Most autoists drive reasonably and properly most of the time and are capable of recognizing conditions that require greater caution.*

Before we can make progress in adopting realistic traffic regulations, the basic attitude toward drivers must change. The typical American driver is you, your wife, your neighbor, your business associates. Certainly such people are not menaces on the highway. Although every driver drives badly on occasion, the majority are normally cautious, considerate, intelligent, skillful and able to recognize speed too fast for conditions.

This view is not widely held. A recent poll of enforcement officials, motor vehicle administrators, members of traffic commissions and safety officials asked this question, among others: "Is it your impression that the driving public has generally demonstrated the





*Limits set too low don't solve speed problem, add to hazard and congestion*

ability to judge safe speeds of travel under all highway conditions?" Eighty per cent answered no.

These authorities see mainly the speeder and traffic violator and they investigate most traffic accidents. Granted that there are too many of each of these and they should be dealt with, they represent a small percentage of the normal driving public. Few drivers are serious traffic offenders and fewer still become involved in accidents.

► *Speed limits aimed at the few grossly reckless drivers make law violators out of normally good drivers and are of questionable value in controlling the violators.*

Unrealistic traffic laws, if obeyed, increase delay and congestion but do little to solve the speed problem.

One city was having trouble with teen-agers racing hot rods through its streets. One suggested cure was to impose an unusually low city-wide speed limit—although the racing was done at speeds far exceeding the law already in effect.

Another city attacked the same problem by changing the stop signs from the cross streets to the arterial streets.

Of course, neither of these remedies worked. Such problems can be solved only on an individual basis through working with the parents of the youths involved, or through the schools, and by enforcing the speed laws already in effect.

But the public is permitting similar, unrealistic, traffic control almost daily throughout the nation.

► *Speed limits must be reasonable to be observed.*

Low limits do not necessarily mean low speeds.

Studies have proven that drivers pay little or no attention to unreasonable speed limits. A small southern city had an unreasonable limit of 25 miles an hour. Surveys on one section of this road showed 90 out of every 100 drivers were exceeding the limit. On another section, 80 out of every 100 were doing so, in spite of the fact that the road was heavily patrolled and arrests were frequent.

In a speed study in a small midwestern city along a normally high speed highway, the limit was set at 35 miles an hour, then 40, 45, 50 and 55. Each limit was left in place several months to permit those who used the road regularly to get used to it. Furthermore, periods with no speed limit were used between changes in the maximum. There was little or no enforcement while the study was made.

The results showed that, whether the limit was 35 or 55 or unlimited, the difference in average driving speed was only four miles an hour. What is more, when the limit was 35, some 18 per cent of the drivers went more than 50. When the limit was 50 only six per cent exceeded it. Maximum voluntary observance was found when the realistic speed limit was used.

► *A reasonable speed limit is one that will include the speed of all but a few of the fastest drivers.*

Many traffic authorities agree that a limit which includes 85 per cent of the drivers is reasonable. A speed limit should seem too high to the majority of drivers.

If this is not the drivers' reaction, the limit is not maximum. The limit should apply only to those who are grossly negligent, taking into account allowances necessary for variables in speedometers and arresting techniques—and this tolerance does not need to be ten to 15 miles an hour as is often the case.

Modern traffic does not adapt itself to fixed regulations. For instance, a reasonable speed on any section of street and highway may vary many times in the course of 24 hours. Speed is affected by the amount and character of the traffic, weather and lighting conditions. Furthermore, a reasonable speed often varies from block to block or mile to mile because of changes in the type and width of pavements, the presence of businesses, homes and schools, grades, curves, etc. Yet, blanket speed limits have been laid down covering wide areas, even entire states for all hours of the day or night and all weather and traffic conditions. Enforcement is then expected to uphold the law. Is it any wonder many drivers have lost much respect for traffic regulations and regard the police as anything but their friend.

Speed control is not the only area where flexibility is needed. In cities greater use should be made of "reversible" and "unbalanced" traffic flow. With "reversible" flow traffic the direction of traffic is changed to accommodate heavy inbound or outbound movements. With "unbalanced" flow the number of traffic lanes for each direction are varied.

Flexibility in parking regulations is needed—particularly where curb parking is still permitted. Parking requirements also vary during the day and limits should be adjusted accordingly.

Radar and other electric speed measuring devices can be effective in speed enforcement if speed laws are realistic.

Most of our speed laws were not designed to be enforced by devices

*(Continued on page 66)*



# Vets demand pensions for all

**Congressional consideration will center on three bills which the Veterans Administration estimates will add billions to tax load**

THE VETERANS of World War I are driving for a pension.

Already some 75 pension bills are pending before the House Committee on Veterans Affairs. Debate is expected to center on three of these. One would cost an estimated \$77,300,000,000 over the next 45 years; estimates are that another would cost \$27,000,000,000 by the year 2000; while the third would cost about \$2,300,000,000 the first year according to Veterans Administration figures.

Now pushing average age 62, the men who licked the Kaiser have dwindled in ranks to 3,100,000. But what they've lost in numbers, they've made up in Washington know-how.

The pension is No. 1 objective of the 3,000,000-member American Legion in 1956.

The pension takes top priority this year for the 1,250,000-member Veterans of Foreign Wars.

And now a new battalion has taken to the field—the Veterans of World War I, made up of those who feel that the Legion and the VFW waited too long, and did too little, to close in on the pension objective.

Among the major vet groups, only the Disabled American Veterans, concerned with the war-disabled, and the Amvets, made up of relatively young veterans, have opposed the new pension march.

In 1949 the pension forces made a surprise advance on Congress which brought on one of the noisiest, haziest, craziest legislative skirmishes ever held in the House. But the leaders of the veterans were neither fully enthusiastic nor fully prepared at that time.

The Korean war, with its new vet problems and programs, sidetracked pension plans temporarily.

The traditional policy of the United States has been one of increasingly liberal pension programs for men (and women) called to the colors in time of war. This historic pension current has flowed along two main courses:

1. **Compensation**, based on service-connected disability or death.

2. **Pensions**, based on postservice disability or advanced age.

The American people generally have approved the principle of *service-connected compensation*, and put it into practice for the veterans and dependents of all wars since Colonial times. Veterans' pensions based on *postservice disability* have been less universally popular, but nonetheless have been awarded.

However, the policy of *general pensions for veterans*, based entirely on *advanced age*, has usually met with strong resistance in the beginning. But time weakens this resistance and increases the pressure. In the end, the veterans of each war, up to and including the Spanish-American war, have been granted pensions.

The Spanish-American war pension (\$101.59 a month) is the general pension in its purest form. There are no eligibility requirements involving need, income limitation, or net worth. The veteran must have reached 62, but this requisite is academic now, inasmuch as the average age of the surviving 68,000 men who served in the Spanish-American war is 78½ years.

World War I veterans—along with the veterans of World War II and Korea—already have a restricted form of general pension, at age 65, which is hedged in by disability and unemployability qualifications, and income limitations. The somewhat different campaigns of the American Legion and the Veterans of Foreign Wars are aimed at continuing the limited pension, but on a substantially broader basis.

But, as a spokesman for the Veterans of World War I observed in the course of House hearings, this limited approach is only a bigger foot-in-the-door for the inevitable objective—a general pension, without restrictions, to all World War veterans attaining age 65.

Congress is caught in a gigantic squeeze.

From one side comes daily mounting pressure of the veterans of World War I that, in the matter of pensions, they be treated as generously as the ex-servicemen of earlier wars.

From the other, comes persistent, cumulative pressure to cut government expenditures so as to reduce the national debt and tax burden. The veterans' groups and their leaders are aware of the economy trend.

For the past several years, all veterans' benefits—not only pensions—have been coming under increasing attack. Heaviest assault was by the Hoover Commission—but there has also been a rash of investigations of the veterans' programs—with the spotlight turned on abuses—by committees of Congress, the General Accounting Office, Bureau of the Budget, and the Veterans Administration.

The fears of the vet groups have been recently reinforced by a special Library of Congress analysis

**Heavy solid and broken lines show actual and estimated cost of nonservice connected pensions under existing law**



of veterans' legislation. The report concluded that the "ultimate objective" of the current investigations no doubt will be to level off some of the more liberal provisions enacted particularly since World War II.

The veterans' organizations have been apprehensive over President Eisenhower's approval of the Hoover Commission reports—some of which they regard as violently anti-veteran. They have been even more suspicious of his intent in creating the President's Commission on Pensions to give that field a thorough going over.

For the past few years, veterans' leaders have concentrated activity in the defense of existing benefits against inroads by the forces for economy in government. Efforts to revive the pension issue in the American Legion conventions, for example, were bottled up in committee.

The pension-bent wing of the World War I veterans wants more strenuous efforts. Granted that the government ought to reduce expenditures, these pension advocates cried, why not start after World War I pensions were authorized.

The basic World War I limited-pension legislation was adopted in 1930—six years after passage of the bonus—and modified in several subsequent acts. Sporadic attempts to get a general pension for World War I vets made little headway until 1948, when the delegates to the Legion convention at Miami rejected the counsel of their leaders and roared acclamation for an all-out pension march.

Thus mandated, the Legion's leadership asked Congress for a flat pension of \$60 a month at 60, \$90 a month at 65, for veterans of World War I and World War II.

The Veterans of Foreign Wars, which had been vainly demanding a general World War I pension since 1939, accused the Legion of trying to kill off the pension crusade with kindness. The Veterans Administration complained that the Legion scheme would cost the Treasury \$125,000,000,000 over the next 50 years.

Even so, the Legion bill was rammed through the House Committee on Veterans Affairs and brought up in the House, where at the end of three days' heated debate, it had become so confusingly amended that it appeared likely to give a big pension to the vets of World War II and a little pension to the vets of World War I. The measure was finally recommitted.

Three months later the House passed a watered down version of the bill with hardly a murmur of protest. It came to a dead halt in Senate committee.

The current phase of the march for a broader World War I pension has been building up since the Korean war. The World War I members of the Legion and VFW, outnumbered three or four to one by younger veterans whose principal concern was readjustment benefits, decided two years ago to embark on their own

BILLIONS  
OF DOLLARS

In 1960, Veterans  
of World War I bill  
could boost cost \$2,357,000,000

VFW measure  
could mean  
\$1,927,000,000  
increase in  
World War I costs

WORLD  
WAR II

American Legion  
bill could raise  
1960 cost by  
\$908,400,000 \*

WORLD  
WAR I

\$100,000,000

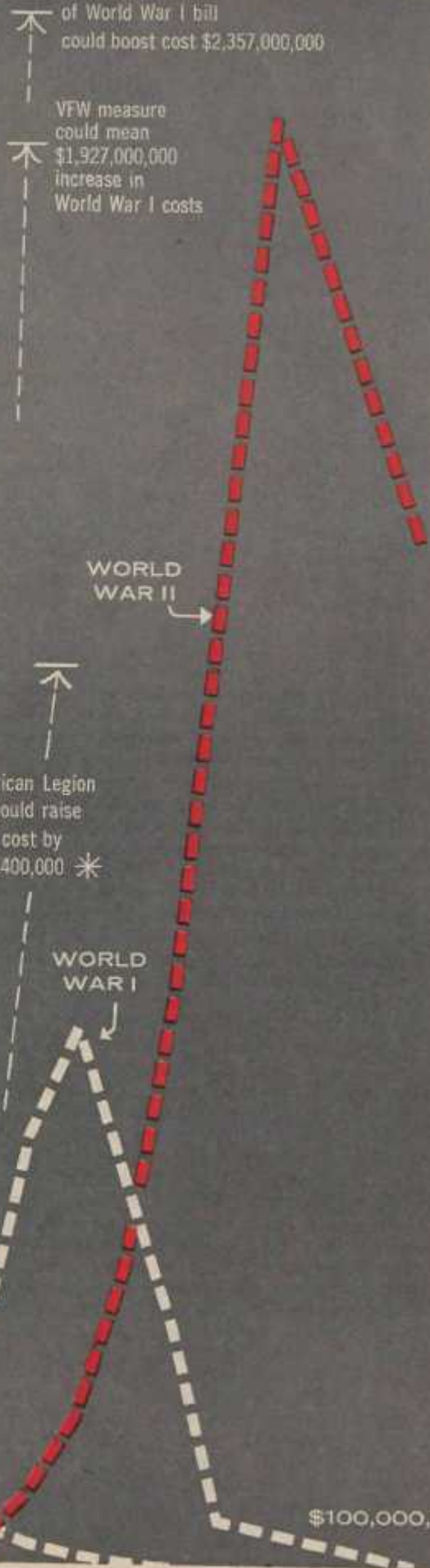
CIVIL  
WAR

SPANISH-AMERICAN  
WAR

1890 '95 1900 '05 '10 '15 '20 '25 '30 '35 '40 '45 '50 '55 '60 '65 '70 '75 '80 '85 '90 '95 2000

NATION'S BUSINESS • APRIL 1956

\*Covers veterans of World Wars I and II





pension push through the Veterans of World War I.

Whether or not this splinter movement triggered off a renewed interest among all veterans is debatable but in its 1955 convention the Legion's leadership, after battling down a series of resolutions calling for a general pension, came up with its own plan, which it dubbed "The War Veterans' Security Bill" and named former Governor John Stelle, of Illinois, who led the victorious GI Bill campaign, as co-director of a special commission appointed to push the drive for passage.

The War Veterans Security Bill follows in the path of the historic current of pension legislation. It would ease restrictions and raise pension payments for the veterans of World War II and Korea, as well as of World War I.

These veterans, to qualify for a pension today, may not have an income exceeding \$1,400, if single, or \$2,700, with dependents. The Legion's bill would lift these ceilings to \$1,800 and \$3,000. Unless totally and permanently disabled, veterans must now reach 65, show 10 per cent disability and prove unemployment, to qualify for a pension. The Legion bill would eliminate the qualifying conditions at age 65. The monthly pension payments would be hiked from \$78.75 to \$105 at 65, with a similar boost from \$135.45 to \$150 a month for those requiring attendant care.

These are the changes which the House Committee on Veterans Affairs estimates would cost \$77,300,000,000 over the next 45 years. The Legion is outraged with the committee's figures which are based in turn on Veterans Administration calculations.

The Legion further argues that, although dollar cost of veterans' benefits has been rising, so has national income. The vet benefits cost around one per cent of national income at the turn of the century, and virtually the same percentage applies today, the Legion maintains.

The Veterans of Foreign Wars, while still espousing a general pension, shifted its tactics in 1955. The VFW decided to narrow its immediate target and zero in on a more generous limited pension for World War I veterans exclusively. The VFW would increase the monthly pension payment to \$100 for veterans who served on the home front, and to \$120 for those who served abroad, with an additional \$50 a month for pensioners requiring special care; lower the pension qualifications age to 62, regardless of disability; lift the income ceiling to \$2,400 and \$2,600.

The Veterans Affairs Committee estimates that this bill would increase costs some \$27,000,000,000 by the year 2000. VFW says these estimates are loaded.

The Veterans of World War I wants a \$100 a month pension at the age of 60, no strings attached. Estimates are that this would cost the U. S. Treasury \$2,300,000,000 the first year. Meanwhile, for practical purposes, this group is willing to go along with any compromise bill "so that we might be able to put our foot in the door."

The Eisenhower Administration, as did the Truman Administration, takes the position that "enactment of legislation to pay pensions to all World War I veterans, regardless of income or employability, would jeopardize our entire veterans' program."

The Veterans Administration, and the Bureau of Budget have also expressed fear that the pension proposals, if enacted, might bring about a reaction such as occurred two decades ago when a splurge of veterans' benefits was followed by the Economy Act of 1933, which wielded the benefit-cutting axe willy-nilly on all beneficiaries, including service-disabled veterans and the survivors of the war dead.

Opponents of the pension bills also point out that any increase in pensions for veterans must quickly be

matched by higher payments to the dependents of deceased pensioners, higher compensation payments to war-disabled veterans and to the widows and orphans of those who died in the service of their country. Currently, the government is spending \$4,879,000,000 annually on all veterans' benefits, about 7.4 per cent of the 1957 Federal budget. The cumulative cost of these benefits since 1944 is approximately \$56,000,000,000.

Foes of the pension plans maintain that more than 500,000 World War I veterans are now on the pension rolls; that nearly one out of four of the World War I vets is drawing either service-connected compensation or a postservice pension. Some critics—such as the Hoover Commission—feel that the pension restrictions are too loose, rather than too rigid.

Many pension advocates insist that they oppose extending the Spanish-American type of general pension to the veterans of later wars, partly because of numbers involved. There were only 392,000 Spanish-American war participants, as against 4,744,000 in World War I, 16,535,000 in World War II, 6,807,000 in the Korean conflict. However, a more liberal limited pension, they contend, would save thousands of veterans from having to seek relief as paupers.

Leaders of the pension march use another argument. "The veterans of World War I had no GI Bill of Rights—no housing benefits, no general educational benefits, no unemployment benefits, no mustering out pay worthy of the name," observes Legion Commander J. Addington Wagner.

It was the veterans of World War I who wrote the GI Bill of Rights for the veterans of World War II and of Korea, Commander Wagner says in calling on the younger veterans to pay back their debt of gratitude by supporting the pension drive.

(To those who bring up the subject of the World War I bonus, amounting to around \$4,000,000,000, the pension backers explain that the bonus was, by act of Congress, adjusted compensation for loss of earning power while in uniform. The bonus bonds averaging \$1,000 were approved in 1924, cashed in 1936.)

A third major argument of the pension spokesmen is that World War I veterans, because of their advanced age, failed to obtain adequate retirement coverage under either the Old Age Insurance System or the private pension programs, both relatively recent developments. Expansion and liberalization of these retirement programs will provide for all but a few World War II and Korean veterans, these leaders say, so that only the World War I veterans will ever need the pension. Some legislators consider this argument as particularly appealing.

Fundamentally, the veterans pension drive in each generation has been a drive toward security in old age.

Thus it can be theorized—if not clearly proved—that the veterans' pension march will end when our Social Security System, now relatively young, matures to provide an adequate level of retirement security to all our senior citizens, veterans and non-veterans alike.

Some pro-veteran legislators and vet leaders privately shudder at the thought of a general pension for the 16,500,000 veterans of World War II but believe that social security will within our own generation absorb the veterans' pension urge of the future.

Only the future will show whether such beliefs—and hopes—are realistic.—SAM STAVISKY

**Pension proposals will funnel through this man's committee**



# A COMBAT VET weighs PENSION PLEAS



**Rep. Olin Teague, wounded six times, heads House Veterans Committee studying nearly 500 bills proposing veterans' benefits**

MOST OF the pressures generated by the desire to liberalize veterans' benefits will focus on one man, a badly-wounded, much-decorated, 45-year-old infantry veteran of World War II. He is Rep. Olin E. Teague, a blunt, hard-working Texan, a Democrat and chairman of the House Veterans Committee.

Mr. Teague's committee at recent count was a repository for 390 pieces of proposed legislation on veterans' benefits, introduced by 146 House members. By the end of the year the pile will approach about 500 bills, with maybe half of the House represented. Virtually all these bills call for bigger payments, looser restrictions, broader coverage, extension of time for application. Few members ever propose to reduce a veterans' benefit.

It is Mr. Teague's lot to study these proposals, to ponder over the \$4,700,000,000 which the Veterans Administration will spend this year, the \$4,900,000,000 it will need next year, and the prospect that, even under present laws, this figure will rise steadily for decades as America's 22,088,000 veterans, who with their dependents make up almost half the population, get older, sicker, less able to take care of themselves.

Mr. Teague is a man of few but plain words. He is bluntly honest

about his conclusions and he is a continuing target for fire from opposing directions.

There is always the member whose bill Mr. Teague must bury. There is the local post that proposed it. There is the unending pressure for a whole array of such proposals from the vocal and persuasive national veterans' lobby. There is his own natural, inevitable, warm-hearted desire to take the best possible care of disabled veterans and their needy widows and orphans.

On the other side stands the economy bloc. Its spokesmen rarely propose directly to repeal benefits for veterans. But they continually seek out waste in veterans' programs, relating to abuse of benefits.

One group expressing outright opposition to some existing benefits for veterans is the United States Junior Chamber of Commerce, 85 per cent of whose members once were in service. At their 1955 convention in Atlanta the Jaycees deplored pension payments for disability not incurred in service; they opposed any pension plan based solely on having once worn the uniform.

The Amvets and the Disabled American Veterans strongly opposed broad benefit plans.

The Hoover Commission on Government Reorganization also has

thrown its weight into the economy drive. Its task force on government medicine said 19 veterans' hospitals should be closed, and that new strings should be tied to free medical care.

Congressional leaders rest easier nights because it is Representative Teague who will make the compromises these pressures will require.

Speaker Sam Rayburn, who helped steer his fellow Texan to the key post he has held since the start of the Eighty-fourth Congress, is inclined to take Representative Teague at his word. Bills his Veterans Committee reports favorably usually get cleared to the floor without trouble, and are passed.

It was not always this way. There was a time when leaders and some other members of Congress viewed the Veterans Committee, rightly or wrongly, as a sort of annex to the veterans' lobby. There were complaints that its members let their hearts rule their heads.

In those days, bills approved by the Veterans Committee often fared badly in the House.

It was in just such a case that "Tiger" Teague first came to public attention as a junior member of Congress. The year was 1949.

Veterans Committee Chairman John E. Rankin, an open-handed Mississippi Democrat who was one of Representative Teague's two predecessors in the top committee post, had pushed through the committee a pension bill under which any veteran whether or not disabled

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# How to make a business decision

Four basic steps will help you improve your performance as a decision-maker

OVER THE NEXT 20 years the emphasis in management will be on the understanding of decision-making.

Coupled with the advances of the past 20 years in organization theory, human relations, economic analysis, and market research, this understanding should bring a tremendous improvement in our managerial skill and performance.

Right now we are developing a whole tool-box for decision-making. But any manager can obtain the most important thing with few if any new tools: That is, he can understand that decision-making is a rational and systematic process and that its organization is a definite sequence of steps, each of them in turn rational and systematic.

This may not be adequate to give the best possible decision for every situation but it will be adequate for many business decisions—and in every case it can improve decision-making and lessen the weight of the decision burden.

Business decisions will always have to be based on judgment. They will always remain decisions for a future which will continue to be unpredictable. They will always entail risks. But studies made over the past ten years now have reached a point where every businessman, by following fairly simple steps, can greatly improve his performance as a decision-maker. These steps are basically four:

**1. Defining the problem:** What kind of problem is it? What is its critical factor? When do we have to solve it? Why do we want to solve it? What will solving it cost?

**2. Defining expectations:** What do we want to gain by solving it?

**3. Developing alternative solutions:** Which of sev-

eral plans offers the surest way to avoid things that are unexpected?

**4. Knowing what to do with the decision after it is reached.**

Attention to these rules will help the businessman avoid the three most common pitfalls in the making of business decisions. These are:

► Finding the right answer for the wrong problem—few things are as useless.

► Making the decision at the wrong time. Far too many decisions are postponed when they should be made, without realization that postponing a decision might also be a decision—often an irrevocable one. Contrarywise many decisions are being made long before the decision is necessary. One tendency is as dangerous as the other.

► Making decisions that do not result in action. A decision without a definite action-plan and without adequate control of its execution is not an effective or even a finished decision.



We have also learned why people make these mistakes. The first and perhaps the main reason is that they do not organize their decision-making. They tend to do by intuition those parts of the process that can best be done rationally, and tend to be rational and fact-based in those parts that should be matters of judgment.

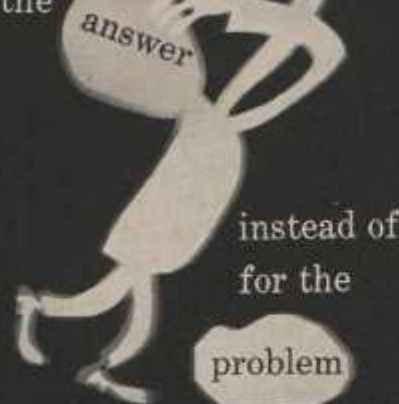
The second main reason for poor decision-making is wrong distribution of the time spent. Too many people spend time finding the answer—far too few spend time finding out what the problem is. Yet the right definition of the problem is both the most important and the most difficult job in decision-making. In the great majority of decisions once the problem is defined, the answers are easy.

Finally businessmen tend to look upon a decision as a problem rather than as an opportunity. As a result they tend to settle for the solution which has the lowest cost even though it promises the lowest gains and entails the greatest risk. Yet every decision is an attempt to balance gains, costs and risks.

Only by looking upon a decision as an opportunity as well as a problem can we discipline ourselves to the



too much time  
is spent looking  
for the



instead of  
for the

problem

point where we objectively look at the alternatives and pick the one that offers the best balance between gains, costs and risks.

Such an objective look will consider these questions:

## What is the problem?

All we can see at the beginning are symptoms. Symptoms in a business can be as deceptive as symptoms in human illness. To doctor symptoms while leaving untouched the basic problem will, however, provide only the most temporary relief.

A simple yet fairly common example is the scheduling problem in a manufacturing plant where, despite all efforts to plan and to schedule, production always gets into trouble, where overtime to meet delivery promises always runs up extra costs without ever quite giving satisfaction. In one such case management had practically decided to spend a substantial amount of money to increase the capacity of the plant. Then somebody pointed out that they did not know where the delay actually occurred.

When this was examined it soon became clear that the trouble was not in manufacturing at all and that no reasonable increase in plant capacity would end it. The trouble was in marketing. Salesmen promised immediate delivery for all items in the catalog including specialties that were not regularly stocked. They also gave the company's most marginal customer the same delivery promise as the company's best customer. As a result rush orders for specials or orders for small runs continuously disrupted whatever schedules manufacturing had made. These had to be pushed through separately and disrupted the entire shop. As soon as this was brought to the attention of the sales manager he could solve the problem by deciding that promises of rapid delivery were not needed except for the major current items and for actual or potential major customers. This of course involved a risk; it might lose some marginal customers or some of the business on specials. But the risk seemed so slight (subsequent experience showed it to be nonexistent) and the gains so great that the decision was fully justified. It at once cleared up what had been plaguing the company for years and had seriously eaten into its profits.

One tool, in the majority of cases, will enable a businessman to decide what the problem really is. Its

technical name is "critical-factor analysis." The critical factor is the one element in the situation which has to be changed, moved, or removed before anything else can be done. By isolating this strategic element we usually manage to break through the surface of the symptoms and come to grips with the real problem.

For ten years a large company had been having trouble filling its number two spot, executive vice president. Eight men had been appointed to the position in ten years; every one of them had either left after a short time or had been asked to leave. Among them were men of forceful personality and men who were meek; men from inside the company and men hired from the outside, young men and older men. When the president recommended a ninth candidate to the board of directors, one of the board members said: "Isn't it time we found out why eight good men did not work out?"

He set out to interview the eight former holders of the position and found out rapidly that the critical factor in the situation was the president himself. While he had delegated all responsibility to the executive vice president and refused to make any decisions he still tried to hold the full authority of the chief executive office, expected the vice presidents to report to him and only to him, issued orders without informing the executive vice president and altogether behaved as if he were still the actual operating head of the business.

The critical factor was that authority and responsibility of the job were not compatible. The solution was to move the president to the position of chairman of the board and give him clearly defined authority for major policy matters but ask him to stay out of operating decisions. Instead of hiring an executive vice president, the company went looking for a new president and, incidentally, found the right man among the eight who, in the executive vice presidency, had not worked out earlier.

Timing is part of this job of defining the problem. The rule is simple: Don't make a decision before it can be effective. But don't postpone it after it has reached a point where it has become timely.

This concept is one most of us learned during World War II, that of lead-time. We all know today that if we want a new strategic bomber by 1963 we have to start working on it in 1956. Similarly if we want to have a steel plant

(Continued on page 68)

don't  
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on  
facts

they're all  
in the  
past





# OUTER SPACE RIGHTS PUZZLE WORLD

**America's plans for cruising satellites has international experts debating the question: "Who owns the air 200...400...600 miles up?"**

PROBLEMS of space law and space politics are worrying international lawyers.

If this sounds like something out of a Buck Rogers script, consider these things:

Beginning April 25, the American Society of International Law holds its annual meeting in Washington. Its first order of business: *legal problems of outer space!* Appearing before the Society will be John Cobb Cooper, one of the world's foremost authorities on international air law. Mr. Cooper, who was formerly general counsel for Pan American Airways and later director of the Institute of International Air Law at McGill University, is currently with the Institute of Advanced Studies at Princeton.

International lawyers in the government have recently been lecturing groups of highly placed scientists on the principles of rights in space and the theories of air sovereignty.

Special studies on these same problems have been and are being undertaken by military lawyers in the offices of the General Counsel of the Army and Air Force and the Judge Advocate General of the Navy.

Before the White House announcement of the satellite program last year, international law experts representing the Departments of State, Defense, Justice and the National Security Council held a quiet conference on the air space problem. Apparently the President's announcement was not made until he had been flashed a green light in accordance with legal conclusions reached during this conference.

Historically law follows the fact; that is, law does not develop until a solid conflict demands some sort of solution. For that reason, the question of how far up the territory of any nation extends has never been settled.

In essence, however, this is the question that faces the world as the International Geophysical Year approaches. At that time the United States, Russia and perhaps



PHOTOS WERNER WOLFF-BLACK STAR

John Cobb Cooper, who leans toward control theory, will discuss outer space legal problems when the American Society of International Law meets later this month

Oscar Schachter, director of United Nations General Legal Division, champions airspace theory. U.S. position is unknown but satellite plans hint support of this principle



other countries are scheduled to launch the first man-made satellites. It seems clear that the United States is proceeding on the assumption that satellites rolling around the world at altitudes of 200 miles are in free space just as the high seas are free and therefore will violate nobody's national sovereignty. Since there is no sure-fire answer to this question it looks as though we are taking a calculated risk.

Scientifically speaking, there appears to be no doubt that these little moons are possible. The first ones will circle the globe at altitudes varying between 200 and 600 miles, travelling about 18,000 miles an hour. Presumably they will carry certain recording and observational equipment during the days or weeks they stay aloft.

Will these satellites be trespassing on the territory of the nations over which they travel? And will these nations object?

The answer to the first problem, as indicated, is an "X" quantity. The answer to the second probably depends on whether the first one can be satisfactorily determined between now and July 1, 1957, when the United States satellite program is slated to begin. If it is not answered by that time, it is almost certain that objections will be raised—possibly serious ones.

Many nations, perhaps most of them, are extremely touchy about foreign objects passing overhead.

Russia, for example, has created sharp issues over American weather balloons passing above Soviet territory. She has objected strongly and formally and has even caused the United States to modify its balloon activity. How much more might the Soviets object to satellites loaded with the latest observational equipment?

On the basis of past performance the fact that the USSR itself may be in the satellite business will not necessarily make any difference. The communists are quite capable of finding justification for their own space projects—especially if, as announced, they operate at greater distances—while denouncing ours.

Russia is not the only wary country in this regard. The rest of the communist world, in both Asia and Europe, has also been dourly skittish about it, as evidenced by its readiness to down any wayward aircraft which happen along.

If American satellites operating at 200 miles are in free space, it follows that our government considers the limits of national sovereignty to be some point nearer the earth's surface. But where? Government lawyers will not discuss the matter for publication, and it may be that an official government position has not yet crystallized. Nevertheless, indications are that the United States, if pressed, would probably subscribe today to the airspace theory of sovereignty limits. This would be the expedient theory to adopt and under present circumstances perhaps the best from a political point of view.

It is the principle championed, incidentally, by another authority on international law, Oscar Schachter, director of the General Legal Division of the United Nations.

Briefly, this theory holds that national sovereignty upwards is limited to navigable airspace, that is the maximum distance at which aircraft, including balloons, can operate. Up to now balloons have not gone much above 20 miles and the altitude record for aircraft (not rocketcraft) is about 18 miles. Theoretically, though, it will be possible someday to operate aircraft up to about 40 miles—and this, roughly, is the sovereignty limit the airspace theorists propose.

It is an attractive doctrine for several reasons.

For one thing, it is an easy, graphic idea to put across. For another, it appears to have some legal precedent.

The big multilateral air treaty, for example, which currently governs most international commercial aviation, provides that: "The contracting states recognize that every state has complete and exclusive sovereignty over the airspace, above its territory." This is part of the so-called 1944 Chicago Convention to which 49 nations, including the United States but not the major communist countries, are signatories.

Since such a large part of the civilized world adheres to this treaty, it would make an excellent legal precedent for the airspace advocates except for one thing: the treaty itself does not define airspace and the word has never had a definitive legal interpretation.

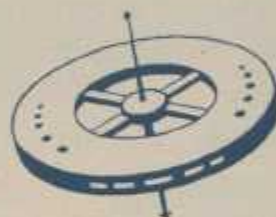
In short, there is no general acceptance of the 40-mile limit so far.

But even if airspace is taken to mean navigable atmosphere suitable to aircraft, is this the real limit of national sovereignty?

(Continued on page 90)



**Russia has objected to U. S. weather balloons over Soviet territory. What might she say about observational satellites?**



**Outer space question needs answer before 1957 when International Geophysical Year observations and U. S. space program begin**



# Champion of business citizenship



ROBERT BENYAS—BLACK STAR

John S. Coleman, newly elected president of the U. S. Chamber, insists that "Your country comes before your company"

JOHN STRIDER COLEMAN, president-elect of the Chamber of Commerce of the United States, is a successful salesman who detests high-pressure methods. At the outset of his career, the prospect of asking anyone to buy his product made him want to run into hiding.

As president of Burroughs Corporation, which, under his administration, has quadrupled its sales revenues and undergone an enormous physical expansion, he is a top-ranking industrialist who recognizes that big business has some shortcomings.

He is an Eisenhower supporter who sees good in both major political parties and adjures his fellow businessmen, whether they be Democrats or Republicans, to take an aggressive role in political affairs.

He is a good mixer and congenial companion who shuns socializing, does not belong to a golf club, and reads volumes on political economics and celestial navigation for relaxation. His business, political and patriotic creed may be summed

up in a quiet remark he often makes to his own company executives and to business colleagues—"Your country comes before your company."

A short, somewhat stocky man of 58, with iron-gray hair cropped close to the temples, John Coleman definitely belongs to the intellectual wing among the industrialists. His face, with deepening lines, wears a perpetual look of preoccupation, as if his thoughts were on pressing or complex problems. Even when he smiles, which is frequently for he has an excellent, dry sense of humor, the air of thoughtfulness does not entirely leave him, nor do the lines on his forehead completely relax.

Mr. Coleman will take office at the close of the Chamber's forty-fourth annual meeting which begins April 29.

Over the next 12 months, as president of the U. S. Chamber, he is going to do a lot of traveling throughout the land, expressing his views on the responsibilities of business. Both the business world and the public at large are likely to generate considerable interest in what he is going to say. This is particularly true in view of the fact that 1956 is a national election year. He always has had extremely definite ideas on the obligations of business and businessmen in relation to politics, and, although never a table-thumper or an exhorter of the rabble-rouser type, John Coleman has been noted for saying what he thinks.

He has indicated that the message he would like to get over is this:

The United States now is a mature nation, a



leader with deep responsibilities in a troubled world, and businessmen, particularly those concerned with international trade, are, in a sense, individual ambassadors for their strata of society and their country. The essence of this thought has been uttered—with variations—many times by many spokesmen—industrialists, labor officials and professional politicians from ward to Cabinet levels. But Chamber President Coleman in advancing it does not hesitate to apply the thought with a needle—a sharp, insistent needle.

We—American business—are going to be in politics this year, whether we like it or not, he says. The political parties and the candidates are going to want our money, and we are going to give it to them. (Mr. Coleman's personal belief, incidentally, is that businessmen who can afford it should make personal contributions as individuals but that corporations should not put money into campaigns. He particularly decries making contributions, either as individuals or corporations, to both sides. Be a Republican or be a Democrat, he says—but don't try to sweeten up both parties.)

Businessmen on the whole, he continues, do not care for politics. At one time, they even thought it rather cheap, unsavory business. But they are foolish to persist in this unrealistic view of politics as a necessary evil and to yearn for the status quo.

In business, as in politics, he declares, "there is no future in the status quo."

In thus dragging their feet, Mr. Coleman says, businessmen are lying down and allowing others who have conflicting interests to use them as paving blocks. Organized labor, whose acumen he respects, certainly doesn't treat politics as if it were a shady lady from a house on the wrong side of the tracks. Neither do special interests who are looking for public whipping boys, or for easy sources of revenue (through taxes imposed on those who protest the least effectively).

Thus, he urges, let businessmen get into politics and do something constructive and effective. He doesn't want just lip service and pious resolutions aimed at big government, big labor, big taxation. Nor does he want just pocketbook politics. He wants businessmen to get into public affairs with their brains—the same kind of brains that have enabled them to unscramble complex industrial and marketing problems and have made American industry superb and supreme.

That is the message John Coleman is going to spread throughout the coming year.

The president-elect of the U. S. Chamber was born Oct. 12, 1897, in a rural community near Charles Town, W. Va., where his father, Charles Nelson Coleman, had a hardware and agricultural implement business. Mr. Coleman's growing-up years in and around Charles Town, plus traits which he traces to both his parents, had a dominant effect in shaping his character and outlook.

"For one thing," Mr. Coleman points out, "growing up in the South made me a Democrat during my early years. Although I am today a Republican and a staunch admirer of our great President, Mr. Eisenhower, I certainly do not feel the country would go to hell if the Democrats got in."

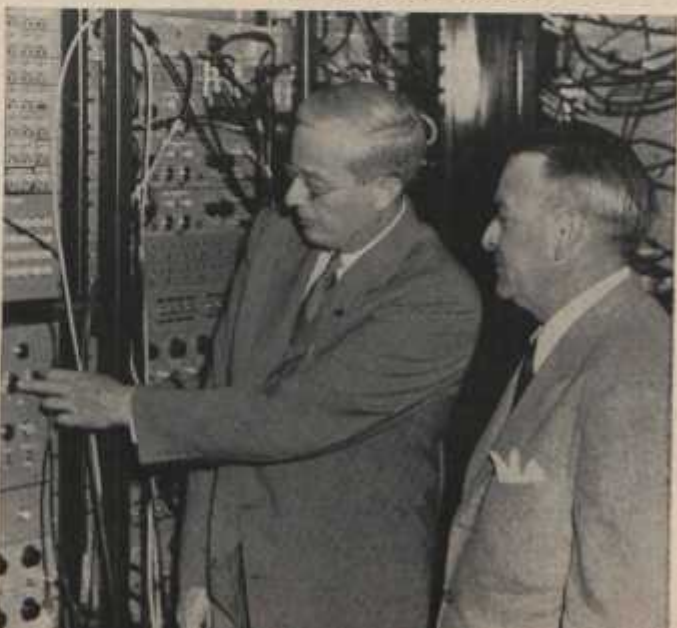
Mr. Coleman's boyhood left him with a love for farming and the outdoors. It was a natural, therefore, when doctors advised him in 1947 to find a hobby after steady overwork during World War II had laid him low, that he should buy a farm near Detroit. Though he calls it simply, "the farm," and would (Continued on page 82)



**MR. COLEMAN** receives the insignia of the French Legion of Honor from Consul Jean Bellard. Below, Mr. Coleman shows Queen Elizabeth the Burroughs plant in Scotland



**PRESIDENT** Clarence B. Hilberry of Wayne University and Mr. Coleman inspect the Burroughs-built computer in the laboratory Detroit industries have set up at the school





# HOW'S BUSINESS? today's

## An authoritative report by the staff of The Chamber of Commerce of the United States

### AGRICULTURE

Chances dimmed for improved beef cattle prices to producers this year with the recent announcement from the U. S. Department of Agriculture that the annual Jan. 1 inventory showed another increase in cattle numbers over the previous year. The total of all cattle and calves on farms has climbed for the seventh straight year from the low of 76,800,000 in 1949 to the current record high of 97,500,000 head. However the increase seems to be slowing.

The increase is in beef animals with dairy cattle numbers reduced.

In terms of beef prices, the U. S. Department of Agriculture foresees steady to possibly higher fed cattle prices this spring, especially for the upper grades. Lower grades are expected to remain steady or advance slightly until summer, then decline and probably remain below last year. The Department of Agriculture also anticipates that more cattle will go to market directly off grass this year. If slaughter of the better grades drops back to the '55 level, as seems likely, farmers can expect a wider price spread between grades this fall.

On the whole, it appears that the probable increase in beef marketings this year may be largely offset by a population growth of at least 1.5 per cent. The USDA forecasts that the per capita consumption of beef in 1956 will rise to 162 pounds from last year's record high of 161.2 pounds.

### CONSTRUCTION

A recently completed survey by the Bureau of Labor Statistics provides the most comprehensive available description of the large volume of housing constructed in the U. S. in recent years.

Important shifts in size and price

of new one-family houses occurred between 1954 and 1955.

Three-bedroom houses became much more popular, increasing to more than two thirds of the total built. Builders started relatively fewer of the small and also fewer of the very large houses.

The median price of a new house in 1955 ranged from less than \$12,000 in the South to more than \$14,000 in other regions, these differences reflecting regional patterns in style of architecture and what home buyers want.

Relatively fewer multifamily units were started in 1955 than in 1954. In both years, most units in apartment buildings had one or two bedrooms.

Fewer than half as many efficiency (no bedroom) apartments were started in 1955 as in 1954.

### CREDIT & FINANCE

Rapid expansion of installment credit during 1955 led to fear of overexpansion, demand for investigation now undertaken by the Federal Reserve Board, and proposals for reimposing selective credit controls.

With the rate of sales of some consumer durables showing a distinct tendency to slacken, and the rate of repayments continuing to rise, the gap appears to be closing and fears of overexpansion of consumer debt are being allayed.

Considered alone, the sheer volume of outstanding credit is startling. Relating this volume to the growth of consumer income and of the economy as a whole brings it more clearly into focus.

Personal income, national income and gross national product all increased in rough proportion to the increase in short-term and intermediate-term consumer credit.

While these relationships and the

absolute volume of consumer credit outstanding will be closely watched during coming months, the flurry of outspoken fear is quieted.

### DISTRIBUTION

As was expected, the consumer buying spree of 1955 shows signs of tapering off so far this year... yet sales performance is far from discouraging.

Retail sales in January totalled almost \$14,000,000,000 and, after adjustment for seasonal factors and trading day differences, were about six per cent above January of 1955. Significant changes were an increase in the general merchandise group offsetting a decline for the automotive group.

February sales were four per cent higher and March sales are expected to be five or six per cent higher than the corresponding months of last year. March sales will reflect earlier Easter shopping.

With purchasing power continuing at peak levels, there are potentialities for increased sales, so any evidence of consumer resistance must be met by full exploitation of advertising, promotional and merchandising efforts.

### FOREIGN TRADE

Indonesia and Pakistan have recently bought more than \$100,000,000 worth of American surplus farm products. The sale to Indonesia totaled \$91,800,000 and that to Pakistan approximately \$15,000,000.

The Indonesian sale is the largest yet negotiated under the 1954 law providing for payment in foreign currency. It covers 550,000 pounds of rice, about 206,000 bales of cotton, 23,000,000 pounds of leaf tobacco and about 1,270,000 bags of wheat flour.

Pakistan receives for its \$15,000,000 some 230,000,000 pounds of rice. Normally a rice exporter, Pakistan is now short of rice and other cereals because of floods and poor crops.

According to a Department of Agriculture estimate, agricultural exports from July 1, 1955 to January 31, 1956, totaled \$1,945,000,000 compared to \$1,856,000,000 for the corresponding period of the previous fiscal year.



# outlook

## GOVERNMENT SPENDING

The rate of government spending is due to taper off in the next few months—that is, unless the January budget estimates for 1956 spending were way below par.

The budget message for January estimated that in 1956 the government would spend \$64,270,000,000. If spending continues for the rest of the year at the rate of the past eight months, however, it should run well above this figure. Obviously, a cutback is in order.

Cash outgo from the Treasury is more than \$2,000,000,000 above a year ago at this time. Interestingly enough, the increase is not in military spending, which is running just about even with last year. Instead it is in civilian activities.

With current pressure for stepping up the rate of procurement of certain types of military hardware, particularly airplanes and guided missiles, the prospect of any cutback in defense outgo is slight, indeed.

Budget officers of the various civilian agencies had better be sharpening their pencils in preparation for lean days ahead.

## LABOR

Another union is to move to Washington. The Association of Street, Electric Railway, and Motor Coach Employees will move into its own building.

The Teamsters' building opened last fall, and modern offices are now being rented in the new spacious International Association of Machinists building. The large headquarters building for the parent A.F.L.-C.I.O. is nearing completion.

The increasing number of union headquarters in Washington, more than 50 to date, is a symbol of the power labor unions have acquired.

Through its new political organization, C.O.P.E., merged labor is putting its great political machine to work. The 77,000 union locals, with their 18,000,000 members and thousands of full-time employees give labor a stupendous organization with funds and unequalled manpower for disseminating political propaganda.

The activities and success of this organization between now and the November elections, will give im-

portant clues to the future course of American democracy.

## NATURAL RESOURCES

A study of major metal prices by Frank G. Breyer, of Singmaster & Breyer, metallurgical and chemical process engineers of New York City, has shown that the real price of metals in this country, in terms of hours of labor which a unit of the metal will buy, has steadily declined since World War I. For example, the amount of zinc that would have bought 33 labor hours in 1915 will buy only between five and six hours today.

This decline in real metal prices has been brought about by, 1, increasing labor costs, and, 2, increasing imports of metals from countries with lower labor costs. Domestic metal producers have been able to keep in business through mechanization and technical improvements.

One result has been an increasing reluctance of venture capital to invest in metal mining and smelting.

None of the possible solutions—tariffs, subsidies to domestic producers, or sliding-scale import taxes—is likely to be popular. The mining industry is leaning toward the import tax which would be applied automatically to imported metals whenever the domestic price averages lower than a certain base level.

## TAXATION

For the second time in two years the House leadership has by-passed the House Committee on Ways and Means in consideration of a basic tax problem.

A year ago a subcommittee of the Committee on Public Works was given the task of devising a tax program for financing the new highway

system. The resulting bill was killed.

Now a tax bill has been referred to the Interstate and Foreign Commerce Committee.

This measure proposes that railroad workers' retirements be increased by 15 per cent; that the payroll tax rate be increased from 6.25 per cent to 7.25 per cent for both the railroads and the workers; and that all railroad retirement taxes paid by workers be allowed as tax deductions.

Should the precedent of tax deductibility for payments by railroad workers be set, it will lead to demands for similar deductions for social security tax payments and for amounts paid into private pension plans or other retirement programs.

## TRANSPORTATION

Merchants and businessmen in increasing numbers are adopting the parking validation plan to solve their parking problems. Among the cities that have adopted this plan are: Long Beach; St. Louis; Dayton, Ohio; Montgomery, Ala.; New Haven, Conn.; Allentown, Pa.; and Washington.

The parking validation plan makes partners out of merchants and parking men in bringing customers downtown. Merchants pay their customers' parking fees and parking men sell space to merchants at a discount—all benefit by increased patronage.

In Washington more than 200 businesses have joined with parking men in 108 parking lots and garages in providing 32,000 free customer parking spaces. Merchants provide their customers validation stamps, each worth one hour parking.

The plan is especially popular for the smaller businesses—it permits them to provide customer parking at a minimum investment.



AUTHENTICATED NEWS



# FOREIGN COMPETITION UPS PROTECTION DEMANDS

**As Administration pursues freer trade policy, business watches to see how new definition of industry works out**

A SMALL, little-publicized federal agency may play a larger part in your business future.

The agency is the United States Tariff Commission. At its sedate and elderly headquarters in the heart of Washington's shopping district, American businessmen who fear they're losing the U. S. market to foreign imports make their plea for more tariff protection. The Commission weighs these pleas and tells the President whether higher duties are needed to safeguard U. S. industry and labor.

The bipartisan six-man Commission has existed since 1916, **but two current factors are increasing its importance to business** ➡

These two factors have already brought a substantial increase in Tariff Commission cases. In the first eight months of this fiscal year, the Commission ordered almost as many new investigations of industry requests for relief as it ordered in all of fiscal 1955. Moreover, many more businesses are watching to see how the new definition of industry works out. If it seems to be inducing the Commission and the White House to boost tariffs much more freely, the Commission's workload is certain to increase sharply.

The stepped-up drive by some industries for Tariff Commission protection is especially significant when viewed against the Eisenhower Ad-

ministration's general endorsement of lower trade barriers. The Administration is now trying to push through Congress a bill authorizing U. S. participation in the Organization for Trade Cooperation, a permanent secretariat to administer previous international tariff-reducing agreements and to sponsor future tariff-cutting conferences. Moreover, at Geneva, the U. S. government is negotiating new tariff concessions with other countries.

Most industry bids for Commission relief now come under the escape clause. Nearly all tariff-cutting agreements between the U. S. and foreign countries include such a clause, which provides that either party may withdraw or modify any tariff concession if the article on which the concession was granted pours into the country in such quantity as to injure seriously or threaten to injure seriously a domestic industry.

The Commission investigates the industry requests for escape clause relief and submits to the President recommendations as to whether he should notify the foreign government involved that the concession previously granted by the U. S. must be withdrawn in part or entirely. The President can accept or reject the Commission's recommendations, after weighing them in the light of the comments by the various executive departments interested in the matter.

Escape clause cases take up about three times as much Commission staff time as any other activity. Right now, seven groups have escape clause cases pending. These affect linen toweling, women's and children's leather handbags, para-aminosalicylic acid, groundfish fillets, wood screws, cotton velveteen fabrics, and ladies' cotton blouses. Although this number seems small, a single case before the Commission frequently involves dozens of individual businesses.

Several of the cases—velveteen, toweling, and blouses—have been brought under the new industry definition voted by Congress last year, and the textile industry and other groups promise to make increasing use of this change. Before last year, it was felt that an entire multiple-product industry had to be injured before relief could be recommended. An industry producing 20 items and suffering severe foreign competition on one of them might not get tariff relief on that item so long as it was doing well on its over-all operations. Now, however, the Commission must ignore how the industry is faring on the other 19 and look only at the one product involved. The same rule can

1

*Foreign industries, especially German and Japanese, are seeking larger share of the U. S. Market. As more business firms feel this competitive impact they turn to the Tariff Commission for help*

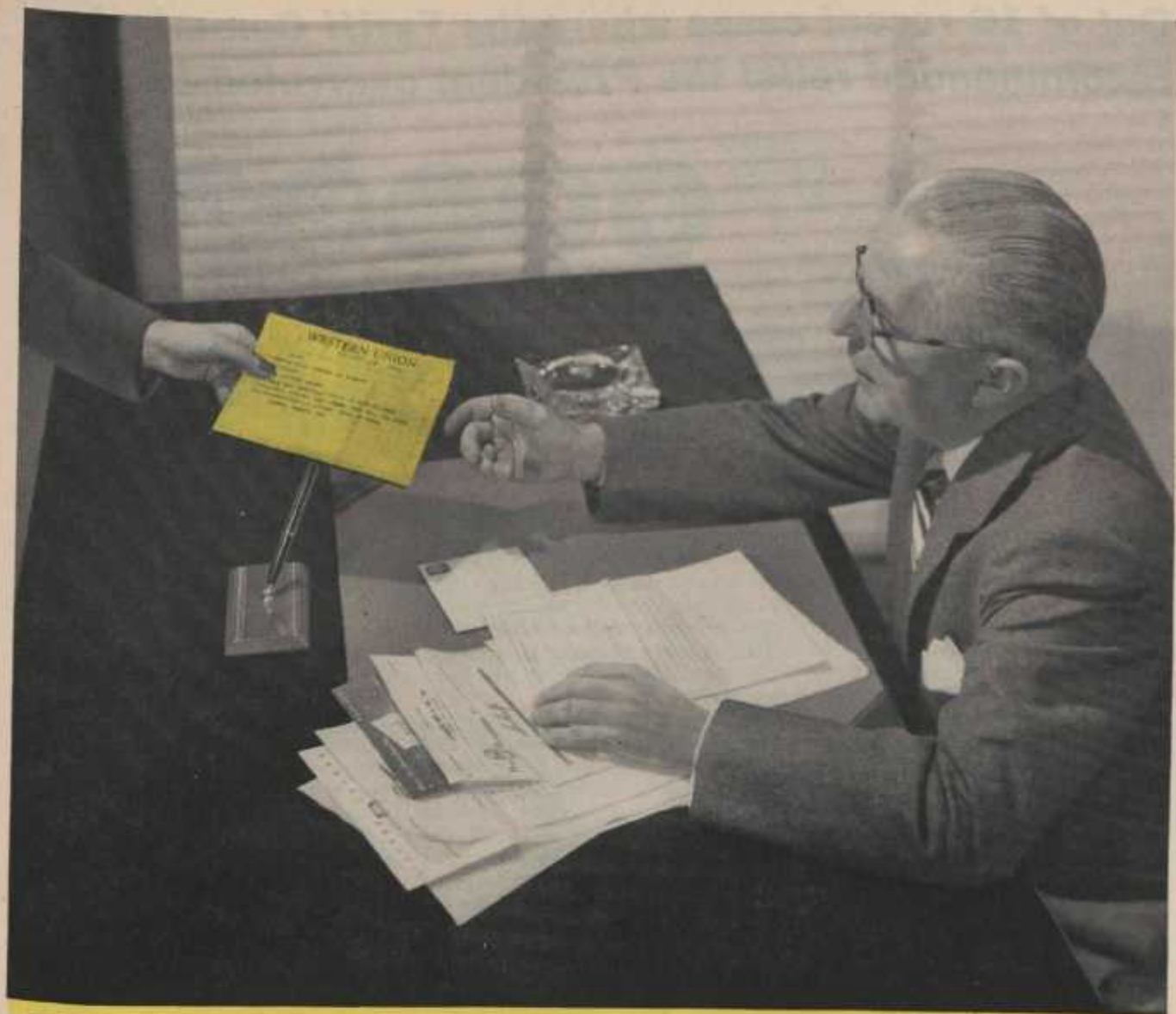


2

*Congress made relief slightly easier for U. S. firms, saying Commission should recommend higher tariffs if "any portion or subdivision" is in trouble even if an industry as a whole is doing well*







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WHEN IT MEANS BUSINESS...IT'S WISE TO WIRE



# Out of 16 recent cases where the Tariff Commission recommended relief the President overruled ten . . .



## PROTECTION *continued*

be applied even in the case of a single multiproduct company if that company is the only producer of the product in question; it doesn't have to be losing money on its over-all operations to make a case for higher tariffs on one of its products.

Tariff Commission proceedings are far less formal than those of other government agencies. Businessmen don't even have to have lawyers to represent them, though most do. Everybody concerned in a given case—producers, unions, trade associations, importers, other federal agencies, even foreign governments—is invited to give his opinion. Some hearings last only a day, others run as long as two weeks.

Here's an illustration of how a businessman can go about seeking tariff relief.

Sam Jones is a midwestern manufacturer of ball bearings. Business is good, and his horizon is apparently cloudless. But one day one of his salesmen reports that Smith and Co., an old and valued customer, has refused to reorder, claiming it has been offered some foreign-made ball bearings just as good as the Jones product and quite a bit cheaper. Soon other salesmen bring in similar tales of orders lost to foreign firms. The line on the sales chart begins to dip. Other firms in the industry tell Mr. Jones that they, too, are being hit hard by the foreign competition.

Mr. Jones and his friends get together, talk things over, and decide it's time to seek government help. A brief letter to the Tariff Commission outlining their problem brings a reply listing the current tariff treatment of ball bearings and the latest information on imports. The busi-

nessmen are told that if they feel the foreign competition is causing or threatening them with serious injury, they should file a formal application for a Commission investigation. They're sent a copy of the Commission's rules, which tells them how to go about this.

If they file a formal application which the Commission considers to be in conformity with its rules, it orders an investigation and hearing. Producers and importers are sent questionnaires to develop all the facts on the competitive struggle.

If the investigation and hearing convince the Commission the domestic industry is really being hurt, it recommends that the White House approve higher tariffs or take other steps to help out. Government agencies—State, Defense, Labor, Commerce, perhaps the Interior or Agriculture Departments—then also submit their views to the White House and the President makes a decision.

While the White House frequently goes against the Commission findings—out of 16 recent cases where the Commission recommended relief, the President overruled ten—industry groups still count the Commission extremely important.

"If the Commission doesn't recommend relief, you're sunk right there," says one lawyer. "You don't even get to the White House. On the other hand, a good strong Commission recommendation for relief makes it harder for the President to rule otherwise."

Another industry lawyer points out that "each time the President overturns a Commission recommendation, it makes it that much more difficult for him to overturn the next one. If he rejects too many, he'll soon have Congress taking away his

power to overrule the Commission at all."

Though the escape clause cases are the Tariff Commission's big job, they're far from its only one. The Commission has recently been given the task under the Anti-Dumping Act, formerly assigned the Treasury, of deciding whether injury to domestic industry results from foreign countries' selling merchandise here at less than it's being sold for in the countries of origin.

The Commission also has the chore of deciding, on the suggestion of the Agriculture Department, whether fees or quotas should be used to restrict imports of commodities which might upset U. S. farm price support programs. The Commission also investigates and recommends action against unfair methods of competition that might be used in selling imported items in this country.

Still another important Commission job is to fix peril points for U. S. delegates negotiating new tariff cuts with foreign nations. These are the points below which U. S. tariffs can't be cut without—in the Commission's opinion—hurting U. S. industry. Present law requires the President, before any trade agreement negotiations begin, to publish a list of the commodities on which tariff concessions to foreign countries might be granted. The Commission then holds public hearings, taking testimony from the industries involved, and reports to the President the maximum amount the duty can be cut, if at all, on each item without causing or threatening serious injury to domestic producers. Whenever the Commission's recommendations aren't followed in the agreements ultimately negotiated, the President must give Congress detailed reasons.

(Continued on page 53)



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## LIBBEY

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## FORD

*a Great Name in Glass*

## PROTECTION

*continued from page 48*

Preliminary to the current Geneva negotiations, the Commission held peril point hearings and made findings on more than 1,000 separate items.

In addition to these duties, the Commission has a long list of research jobs. For example, it keeps up to date the 44-volume "Summaries of Tariff Information," containing basic tariff and import data on practically every product imaginable. It also publishes each year a bulky report on the operation and current status of the trade agreements program. Its periodic reports on synthetic organic chemicals are the standard texts used by government and industry on the subject. It is constantly undertaking special studies for Congress or the President; in the past few years it has made special comprehensive investigations of the effect of imports of tuna fish, lead and zinc, fluorspar and hardboard.

The Commission does all this work on what is, according to the standards of most government agencies, an infinitesimal budget and staff. It employs about 200 persons and spends only about \$1,400,000 a year.

The six commissioners—three Republicans and three Democrats—are appointed by the President to staggered six-year terms. Chairman now is Dr. Edgar B. Brossard, an agricultural economist. Dr. Brossard, a Utah Republican, was head of the Agricultural Economics Department of Utah State College and an economist on the Commission's staff before being named a Commissioner in 1925 by President Coolidge. He has been reappointed by Presidents Hoover, Roosevelt and Truman. He served as chairman in 1930 and President Eisenhower named him to that post again in 1953.

The two other Republicans are Dr. Walter R. Schreiber, a long-time employee in the Agriculture Department's Foreign Agricultural Service, and Joseph E. Talbot, a lawyer and former congressman from Connecticut. The Democratic members are Dr. Glenn W. Sutton, a finance professor at the University of Georgia; James Weldon Jones, accountant and former Budget Bureau economist; and William E. Dowling, a Detroit lawyer.

Although the Commission stresses its bipartisan make-up and argues that it merely interprets facts and does not set basic policy, it inevitably and frequently becomes an issue in the constant controversy in Con-

gress and within the Administration on the basic matter of free trade versus protection.

Free traders generally label the Commission too protection-minded. They claim the Commissioners listen too much to their commodity experts, who are regarded as inclined to want to protect the industries in which they specialize, and not enough to the economists, who are more likely to look at the broader economic effects of tariff increases. The free traders generally want to make it harder for the Commission to recommend higher tariffs. They deplore the segment of industry change, and suggest instead requiring the Commission to make its findings not just on the basis of the needs of the domestic industry seeking relief but rather on the broad basis of the impact of a tariff hike on the economy generally, taking into account any possible reduction in U. S. exports to the country against which the tariff is being raised.

Protectionists deny that the Commission is unfairly protection-minded; they claim the Commission is really trying to follow the intent of



Congress to protect U. S. industry and labor, while the executive branch is trying to frustrate the congressional intent. They add that the Commission only gets publicity when it recommends that the White House grant relief, as in the recent watch and bicycle cases, and no attention on the many more-frequent occasions that it denies relief. These groups believe the Commission should be given more power. For example, some would take away entirely the President's right to overturn Commission recommendations for increased duties, while still others urge a new law giving the Commission broad powers to put quotas on imports, again without any Presidential veto.

—CHARLES B. SEIB &  
ALAN L. OTTEN



# SPREADING REGULATION THREATENS COMPETITION

Utility-type rules which set artificial prices are being extended needlessly. Here's the trend and what it means to you • *Exclusive Nation's Business interview with Louis B. Schwartz*

**Professor Schwartz, do you feel that control of business through utility type regulation is growing?**

In the past generation there has been a notable extension of the public utility idea into new fields. There is little justification for government price-fixing or limiting the number of people engaging in a business.

**How do you describe utility type regulation?**

By this I mean the vesting in a government agency of control over entry into the business and decisions with respect to price and service that the businessman ordinarily makes himself in competition with others.

**Is this a dangerous tendency?**

It is a real threat to private enterprise and public welfare because the law undertakes to do what competition can do better, that is, keep prices reasonable and service satisfactory. No regulatory agency can possibly police all the transactions within its jurisdiction. A fair deal for the customer will be realized more quickly as a result of competition from business rivals than through litigation before an administrative body.

**What are some results of present policies?**

There are at least four unfortunate results:

1. When utility type regulation is applied to business that is properly competitive, the result is likely to be an artificially maintained high price level, at great cost to the public.
2. Restricted entry and maintained prices lessen the ordinary competitive incentive for increased efficiency and better service.
3. Extension of regulatory responsibility adds to the cost of government and reduces the effectiveness of regulation where we really need it.
4. Our economy loses its responsiveness to the immediate needs of the market when a businessman who sees a need is discouraged from meeting it by the difficulty of obtaining government approval to act, or is required to continue services that are no longer justified by demand.

**Is this strictly a federal problem?**

Definitely not. As a matter of fact our federal problems get fairly close scrutiny. At the state level where the problem is often less widely publicized even more drastic extensions of the regulatory philosophy are encountered.

**What is the reason for this trend?**

I think the best way to put this is to say that regulation begets further regulation—it is a kind of chain reaction. You start with controls of, say, railroads



After a while, trucks appear on the scene.



The regulated business begins to suffer from the competition of the new unregulated business, so it seems to be in the public interest to regulate motor carriers to support your railroad regulation.

Then it is successfully argued that freight forwarders have to be controlled to make the rest of the system work. Finally other means of transportation such as airplanes, barges and pipe lines have to be brought within the same coordinated system.



In addition there is the natural tendency of any regulatory agency to seek to expand its controls in the hope ultimately of simplifying its problem or increasing its prestige.

Another thing that accounts for the trend is the succession of crises of war and depression which have accustomed our people to accept a degree of regimentation that would never have been acceptable in earlier times.

**What is the place of regulation in a free enterprise economy?**

I take it that this country is committed to a maximum of individual freedom, including freedom to choose one's trade or calling. This idea is embodied in the antitrust laws which Chief Justice Hughes once referred to as being of a constitutional nature.

On the other hand there is need for regulation of certain types and in certain areas. These are areas where effective competition can't be expected. It is not practicable, for instance, to have multiple gas and electric companies serving an urban population. In these situations of natural monopoly you will never have enough operators to make competition an effective control of the behavior of each of them. Here the government must step in to assure reasonable prices and adequate, constantly improving service.

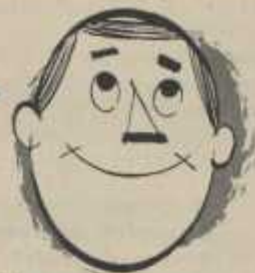
In other situations, government must set standards of safety or competence. It is logical, for example, that government should impose minimum requirements of qualification for physicians, lawyers, plumbers and transportation agencies.

**When does regulation go too far?**

It goes too far whenever its principal impact seems to be to exclude new entrants or confine existing op-



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erators to fields where they have previously served; or where it undertakes to fix minimum prices. The tendency in this case is to fix the price so high that everybody in the industry can survive. Such actions point to the probability that the field is not appropriate for utility type controls. Regulation of that type is more likely to be serving private than public interests.

**Are minimum price orders justified to prevent powerful operators from driving out their business rivals?**

It is true that price cutting can be a method by which



**Prof. Louis B. Schwartz** recently testified as an expert before the House subcommittee on antitrust laws investigating monopoly aspects of regulated businesses.

Professor Schwartz teaches a course on government regulation of business at the University of Pennsylvania Law School and also is engaged as a consultant to business on problems of government regulation. He served four years in the Securities and Exchange Commission and six years in the Department of Justice where he was chief of the judgment and enforcement section of the antitrust division. He also was a member of the Attorney General's National Committee To Study the Antitrust Laws, which made the report Congress is now scrutinizing.

a well financed operator in a regulated field where he is protected for the most part from competition can drive someone else out of business. It is not always easy to distinguish such cases from the ordinary bona fide competition. But it seems to me that an adequate remedy for this situation is the possibility of bringing a treble damage action under the antitrust laws, based upon a showing that the price-cutter did, indeed, have this monopolistic objective. It ought to be enough to show that prices were actually cut to an unreasonable degree—that is, below properly analyzed costs—in a discriminatory way. By discriminatory I mean that prices are cut only on a particular service in a particular area when a small competitor can be destroyed while his rival absorbs losses in other parts of his competitive operation. If we preserve the antitrust remedy in full vigor there is little justification for a regulatory agency to support an artificially high price structure.

**Are there indications that some prices are artificially fixed too high?**

A striking indication of this is the reported trend of more businesses owning their own motor truck fleets to ship goods. According to these reports, two thirds of all intercity truck-ton miles are hauled by shipper-owned trucks. Owners are quoted as saying recent freight increases will force an expansion of this activity. Reported savings in a switch from common carrier rates to shipper owned trucks ranged from 18 per cent to 40 per cent. Obviously what a private carrier can do a well operated common carrier could also do if he were free to compete.

Incidentally, this situation also demonstrates how regulation begets regulation.

The recent report of the Weeks Committee on Revision of Federal Transportation Policy says: "A primary problem in transportation at present concerns the infringement of private carriers upon the field of common carriers and the need for remedial action in the form of more effective regulation of private carriers or enactment of legislation to delineate more adequately the proper place and status of such carriers."

This also shows how regulation which oversteps proper bounds can affect the less powerful customer. Frequently his more powerful rival in the field can find ways to escape the artificially high prices regulation fixes. The weaker competitor usually has to pay them.

**You mentioned that regulation acts as a brake on increased efficiency. Can you elaborate on how that happens?**

I think two recent situations demonstrate that. One is the so-called piggyback operation of loading motor trailers on railroad flat cars. The other is the still unsettled controversy over pay television. Without regulation such innovations would have been introduced the moment enterprising businessmen saw their possibilities. Whether one approves of pay television or not, the fact remains that, in a free economy, it would be the customers who decided if it were to be tried.

**These are all federal examples. What about state regulation?**

We find the non-competitive philosophy in the field of insurance. Certainly we need regulation to assure solvency; that is, regulation restricting investments and requiring maintenance of specified reserves. But state regulation which directs or authorizes noncompetitive fixing of premiums or division of the insurance business with artificially separate noncompetitive segments is an undesirable curtailment of ordinary antitrust competitive principles. Somewhat similar observations might be made in the banking field to the extent that freedom to enter the banking business is restricted in some states on grounds not related to the qualifications and financial responsibility of the applicant or where banks are restricted to particular classes of bank operations.

The tendency to substitute regulation for competition is also evident in the petroleum industry where the states have gone beyond measures intended to prevent technological waste and have embarked on economic regulation designed to control production and maintain prices.

**How could this trend be reversed?**

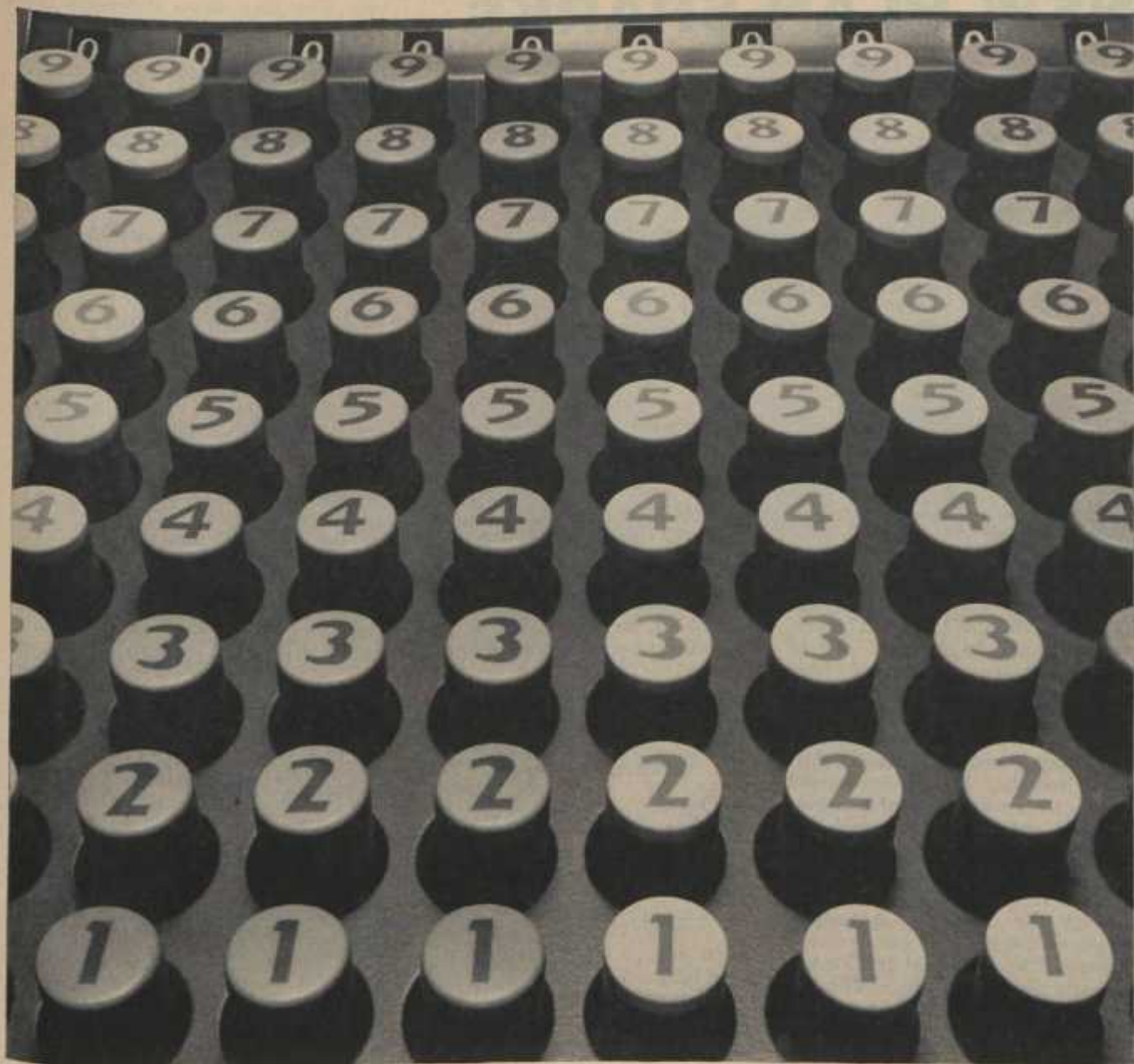
Obviously no highly developed system of regulation can be abandoned or radically altered overnight. What is important is to change the direction of developments.

Ideally, regulation should be a supplement to competitive control rather than a substitute. It is difficult for the regulatory agencies and the courts to work out precise integration of competition and regulation as applied to the same business. Within the field of federal competence, it would be an encouraging beginning if Congress made it clear that competition should be protected to the maximum extent consistent with achieving the regulatory aims.

With this in mind I have submitted several proposals to the antitrust and monopoly subcommittee of the House Committee on the Judiciary of which Representative Emmanuel Celler is chairman.

(Continued on page 81)





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# NEW PLAN SPARKS INSURANCE DEBATE

Some companies call the variable annuity a boon to the industry, others call it poison. Here's why

A NEW device called the variable annuity, or, more familiarly, VA, has brought controversy to the insurance industry. Its opponents label it a gimmick; its advocates proclaim it a stroke of genius.

In its simplest definition, VA is a plan to sell special annuity insurance policies to provide retirement funds for groups and individuals. The premiums would be invested not in bonds and other conventional insurance securities but in a blue chip common stock pool. The participants, when their policies matured, would not be paid the usual fixed dollar monthly benefit but would receive their percentage of whatever the pool was realizing through the fluctuations of the stock market.

In any event, some hot language is being exchanged and the battle is on. Already the conflict is spreading. The fixed dollar forces are receiving active aid from mutual fund salesmen and securities dealers. The VA people have the moral support of college professors, who have pioneered with a variable annuity plan of their own, called College Retirement Equities Fund (CREF), and of certain private organizations which have their own VA-type of pension program.

Now the federal government is threatening to leap in. If it leaps—or is pushed—the result conceivably may be extension of federal supervision, through the Securities and Exchange Commission, to this phase of the life insurance business; or revision of the tax laws to provide a sharper bite on income from this type of annuity—or both.

Just as there are variations in types of conventional life insurance and life insurance annuity plans, there are differences in the proposed types of variable annuity life insurance policies. In general, however, here is how VA would work:

The policies would be sold either through large employe groups (usually as part of an employer-employee

joint pension plan) or to individuals. The participant would pay so much per month toward building up an annuity fund which, at a specified age, would begin paying him monthly benefits until he dies. There also is an optional combination, whereby, if the participant dies, the monthly benefits would go to a beneficiary.

Thus far, the mechanism is identical with conventional annuity poli-

cies. The first major difference is that, instead of investing the money collected through premiums in bonds, mortgages and other securities favored by life insurance companies, the VA premium money would be used to buy common stocks. (Some plans divide their investments between common stocks and the debt obligation type of securities.) A cornerstone of the VA plan is emphasis on so-called blue chip common stocks, and wide diversification of investments, so that the pool will not suffer too greatly if one phase of industry is hurt. Also, most VA plans that have been proposed make a great point of the fact that the investor cannot pull his money out at whim as he can with ordinary stock purchases; they offer tables, purporting to show how such long-term dollar-averaging will equalize losses that may be reasonably expected through market ups and downs.

The second major difference is that, instead of guaranteeing to pay the annuitant so many dollars per month for the rest of his life when

## ANNUITIES COMPARED

### STRAIGHT ANNUITY



**Pay in:** Regular amounts at stipulated times



**Funds invested:** Bonds, mortgages and similar securities



**Pays out:** At maturity, guaranteed sums

### VARIABLE ANNUITY



**Pay in:** Regular amounts at stipulated times



**Funds invested:** Blue chip common stocks or stocks plus bonds, etc.



**Pays out:** At maturity, sums based on stock pool earnings



the policy matures, the VA policy pays off according to the varying value of the units that the policyholder's payments and premiums have bought. The policyholder is credited with additional units purchased with dividends received by the issuing organization. The annuity value of these units will be calculated on the basis of what the stock pool has earned during the fiscal year.

Thus a VA annuitant whose policy has matured might find himself drawing down a different amount each year. (As an actual case in point, the annual annuity unit values of the College Retirement Equities Fund have varied as follows: 1952-53, \$10; 1953-54, \$9.46; 1954-55, \$10.74; 1955-56, \$14.11.)

The VA proponents contend that, in inflation periods, a dollar isn't worth what it was at the time the annuitant contracted for the policy. Their critics counter that, if the market drops disastrously, the policyholders might find their return dwindled to almost nothing. The proponents answer that, in depressions, the cost of living drops so that the dollar is worth more—but the critics countercharge that it rarely drops fast enough to keep pace with the reduced dollar value.

The critics also question why it is necessary for insurance companies to get into this business; why the same result cannot be accomplished by investments through a regular open-end mutual fund, wherein the investor pays so much per month for shares in a common stock pool, which also can be set up as an annuity. The defenders reply that mutual funds do not guarantee to pay monthly installments indefinitely, while the VA insurance plan combines the life insurance principle of guaranteed payments as long as the insured parties live.

The idea of variable annuities has been discussed in various forms in the United States for years. Historically, the notion can be traced back to the Tontine annuity scheme which spread through Europe in the mid-Seventeenth Century and eventually reached America. In England, before the Reformation, there even were annuities which paid off in bread, meat, lodgings and other commodities.

The real start of the variable annuity life insurance program, which has precipitated the present debate, was the College Retirement Equities Fund (CREF), established in 1952 by the Teachers Insurance and Annuity Association (TIAA) of New York. TIAA was formed in



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1918 by the Carnegie Corporation in furtherance of a program launched even earlier with a \$10,000,000 initial gift from Andrew Carnegie to provide pensions for college professors. Now, TIAA has become a \$425,000,000 nonprofit organization dealing in life insurance annuities for nearly 90,000 policyholders affiliated with more than 660 educational institutions. Some of its policies are part of pension programs in which institutions and individuals jointly pay the premiums. Others are paid for exclusively by the individual, but he must be a member of the participating college or institution, as the general public cannot buy TIAA annuities. TIAA's investment portfolio seems as conservative as that of any old-line insurance company, containing only a fraction of one per cent of common stock.

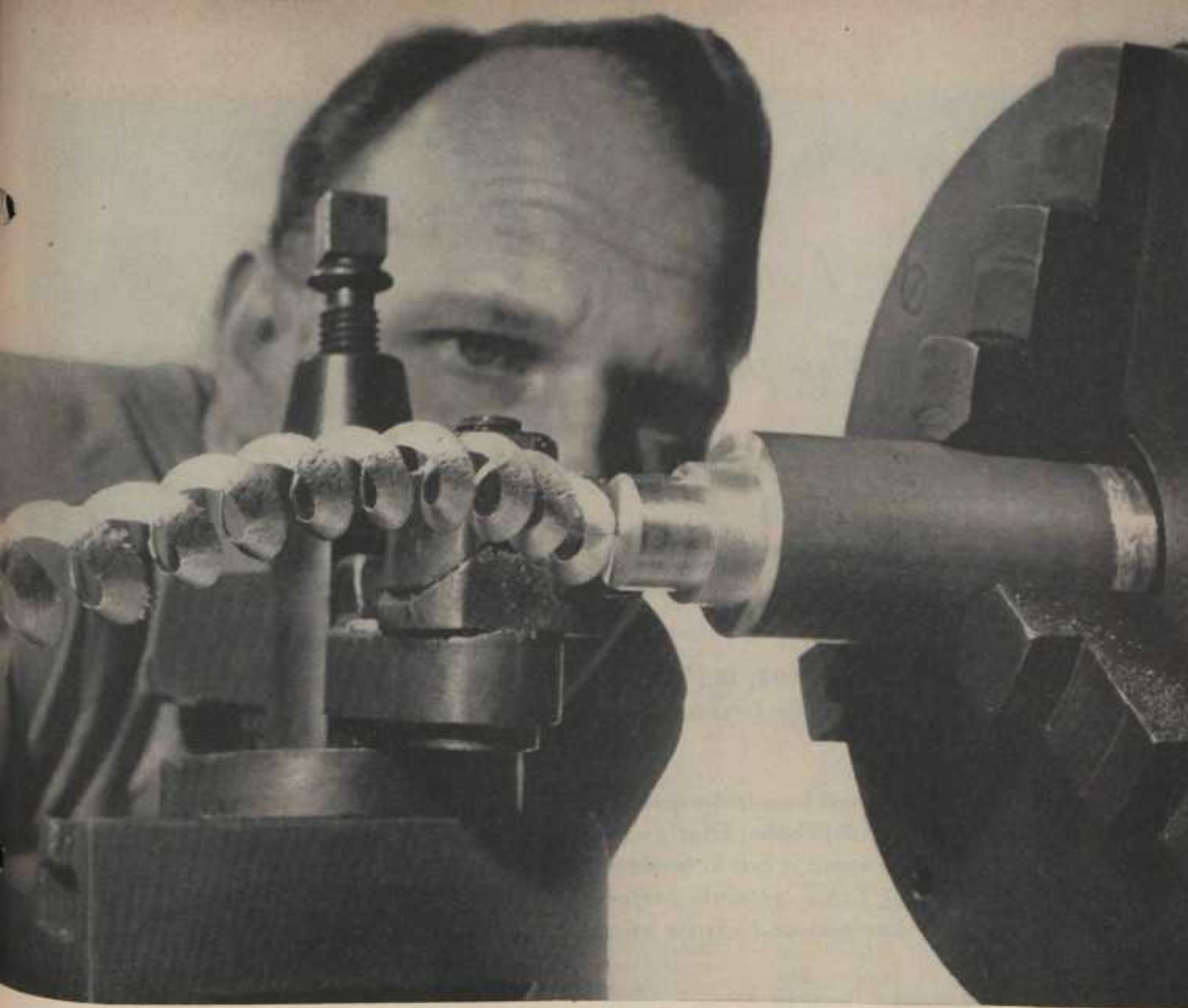
As inflation set in, the cost of living went up while the purchasing value of the fixed dollar (with which TIAA annuities are paid) went down. The professors, who depended on their TIAA annuities for support after retirement, began to clamor for something that would yield a larger return. This dissatisfaction with fixed-dollar annuities, by the way, was no phenomenon limited to college professors. While life insurance business in general is booming, heads of major insurance companies admit that the once-thriving annuity business has dwindled.

Thus, after a two-year study directed by Dr. William C. Greenough, young economist-vice president of TIAA, in which the ups and downs of the stock market for the past 70 years were scrutinized, CREF was conceived. It was a variable annuity life insurance plan with conservative safeguards:

1. Only TIAA members might participate.
2. Not more than 50 per cent of their CREF premiums could be invested in the common stock pool, the remaining portion going into the regular TIAA annuity investment fund which, though it might yield less revenue, was less subject to fluctuation than common stocks.
3. Once enrolled, the CREF policyholder was unable to withdraw his money until the policy matured, thus providing CREF with a built-in bulwark against runs on its investment pools.

At the end of its third fiscal year, CREF had more than 20,000 policy-  
(Continued on page 63)





## Good turn for machine tools

**Read how banks help America's toolbuilders create the machinery for mass production.**

This is a picture of a man and a machine—working on a way of life.

The material is metal, inert and unformed. But shaped with a craftsman's skill and turned to a tolerance finer than an eyelash, it becomes a machine tool. On the assembly line it will be an instrument indispensable to mass production and irreplaceable in the American economy.

That's a pretty big bouquet to toss any industry's way. But look at the facts.

Handmade items come high. To make them at prices people can afford, you must have machines. Only ma-

chine tools can make machines, and once you make a machine, you can put it to work manufacturing products for lots of people.

There you have mass production and the open secret of American abundance. It goes without saying that commercial banks get behind the machine-tool industry when cold cash is necessary. Moreover, banking and machine tools have something in common that's awfully important to you and every other American.

Both take raw materials . . . one metal, the other money and credit, and turn them into instruments for the

national good. In plain language, the machine-tool people put machines to work and thereby create jobs. The bankers put money to work, and wherever money works you can be sure men and women work, too.

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**BLUE CROSS** for us!"*

Says **D.J. O'CONOR, JR.**, President,  
The Formica Company



*"We selected hospital-expense protection on the basis of what it would  
do for our people. That's why we chose our local Blue Cross Plan.  
Time and again it has helped bring needed care to our employees' families.  
Blue Cross certainly performs a great service . . . at remarkably  
low cost and with a minimum of detail for our company."*

Blue Cross Plans, serving locally coast to coast, bring Americans this famed program for prepayment of hospital care...the only one officially approved by the American Hospital Association.

**M**ORE THAN 50 million people now belong to Blue Cross Plans. Most of them joined through the companies where they work. This clearly indicates that Blue Cross provides what both management and employees want.

**Official approval** by the American Hospital Association is extended to Blue Cross Plans exclusively. Their special "partnership" with local hospitals brings many unique advantages to Blue Cross Plan members.

**The basic aim is different.** The purpose of Blue Cross Plans everywhere is to bring members and their families the hospital care they need, rather than dollar allowances. Basic hospital services and many "extras", too, are provided for. The member simply presents his Blue

Cross card when admitted to a participating hospital. The Plan then handles payment with the hospital.

**Simpler for management.** Dealing directly with the hospitals, local Blue Cross Plans save companies trouble and expense in filing claims, making investigations and following up cases.

**Low in cost.** Organized not-for-profit, Blue Cross Plans are so efficiently operated that every cent paid in, except for low administrative expenses, is set aside for payment of hospital bills. Costs and benefits are locally adjusted to conditions and needs in each area to give fullest value.

**Blue Cross is flexible.** Both large and small companies find Blue Cross applicable to their special requirements. And, through simple arrangements, the employee may keep his Blue Cross protection should he change jobs or retire.

**Get complete facts** on the way Blue Cross can serve your company. Contact your local Blue Cross Plan. Or write Blue Cross Commission, Dept. 705, Chicago 11, Illinois.

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the American Hospital Association.



## INSURANCE *continued*

holders and net assets of nearly \$18,000,000 invested in 64 companies in 14 industry categories.

The CREF idea seemed so attractive—and so salable—that some private insurance companies began getting interested. This attention became intensified as the conventional fixed-dollar annuity business continued to decline, and a number of private corporations began setting up pension plans largely patterned after CREF—pegged to the principle of investment of pension funds in common stocks. Such plans have been set up by some 15 organizations, including the endowed Carnegie Institution of Washington (scientific research); Long Island Lighting Corporation; Boeing Airplane Co.; Kidder, Peabody & Co., and Smith, Barney & Co., investment houses; Pan-American, Panagra and National in the airlines field, (with keen interest shown by the Airline Pilots Association in extending the stock-backed pension plan to other airlines); Chemstrand Corporation, Post and Lester Company and others. All this was business that the insurance companies might be handling if they were legally set up for it, and some of them hated to see it getting away.

But a maze of legal obstacles blocks the sale of the new type of insurance, and VA's proponents straightway ran into trouble. In New York, for instance, the state's insurance regulations forbid New York-domiciled companies to invest more than three per cent of their total resources or one third of their surplus (whichever is smaller) in common stocks, and companies with home offices elsewhere must comply substantially with these regulations if they wish to do business within the state. As a nonprofit corporation designed to serve a limited clientele of college employees CREF had no difficulty getting a special act passed by the New York state legislature authorizing its operations. But in New York, New Jersey, New Hampshire, Maryland and Texas, commercial companies so far have been stymied in their efforts to obtain enabling legislation. In Massachusetts, a proposal is under study. In other states, rulings adverse to VA have been handed down by insurance commissioners and, in at least one instance, by a lower court (in South Carolina).

One of the first to seek to set up a special company to sell VA life insurance policies was George E. Johnson, at that time vice president and

general counsel of TIAA and one of CREF's principal architects. With the New York State Association of Life Underwriters, the Metropolitan Life Insurance Company, and a triumvirate composed of the National Association of Investment Companies, National Association of Securities Dealers and Investment Bankers Association opposing his bills, Mr. Johnson was blocked twice. Finally, he obtained a charter for his newly formed Variable Life Insurance Company of America, Inc., in Washington. The District of Columbia has no restrictions against investment of life insurance reserves in common stocks and the District insurance commissioner was not hostile to the plan. Even in some other states where there are no legal restrictions, insurance departments have held up the variable annuity plan.

The crusade for—and against—the entrance of commercial life insurance companies into the variable annuity field has developed into a struggle between the Metropolitan Life of New York, which opposes it, and Prudential of New Jersey, which is for it. Both inside and out of the insurance field, Metropolitan has the most allies. But it is tacitly conceded that Prudential, now making its second bid to obtain passage of necessary enabling legislation in New Jersey, has an excellent chance of success.

Once the legislative bars are down in New Jersey, there may be bitter battles ahead in the courts and before federal agencies such as the SEC. Congress undoubtedly will be asked to revise tax laws and enact legislation extending federal regulation to the variable annuity phase of insurance activities.

Prudential, always an aggressive company in pioneering new insurance trends, has a battery of executives, attorneys, actuaries and salesmen offering persuasive arguments on the merits of VA life insurance in an economic world where inflation seems to have a firm grip. Prudential's President Carroll M. Shanks gibes at "efforts to tie the dynamic life insurance business to Eighteenth Century legal definitions," and Edmund B. Whittaker, a Prudential vice president, echoes: "What the American buying public wants, the American buying public gets." Prudential's official attitude is summed up in its statement:

"Experience has convinced many people that a fixed-dollar income does not protect them completely against all risks because the value of a dollar does change. . . . We believe



D. J. O'CONNOR, JR., President,  
The Formica Company, also says—

*"Nearly all our employees also have BLUE SHIELD for its generous help in surgical-medical care!"*

*"Nine years ago we added Blue Shield to our employee health-care program, because the majority of hospital cases require surgery. This arrangement assures our people the broad protection they need. And the cost is very little more. The fact that nearly all our 2,100 employees have joined Blue Shield indicates how they feel about its service."*

**Here's how Blue Shield Plans—**sponsored by doctors in their own areas—help people meet surgical-medical-maternity costs.

**Generous, specific sums** are paid for hundreds of operations, and for many nonsurgical services.

**Low in cost.** Blue Shield Plans work on a nonprofit basis.

**Easily adapted** to welfare programs in large or small companies.

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that variable annuities can help to provide such an income."

On the cautious side, Prudential says its sales plans do not contemplate attempting to sell all its customers VA policies. It says it will counsel customers to set up balanced retirement plans, in which Social Security (federal) benefits, regular pension rights, life insurance and the supplementary variable annuity policies all are taken into account.

The Metropolitan's opposition, while it has many facets, may be summed up in this statement from President Frederic W. Ecker:

"We in the Metropolitan do not favor the issuance of this type of contract by the life insurance companies; we want to see nothing done which will reflect upon the companies or their agents or which may ultimately cause a loss of confidence in the life insurance business.

"That confidence is founded on public opinion; the acceptance of the integrity and security of our contracts is based upon the finest reputation of any financial business in the world. The life insurance contract has been the one outstandingly safe financial medium upon which Americans and Canadians have come to depend with confidence. We in the Metropolitan do not want that confidence shaken or impaired."

More on the "customers' level," President Ecker also stated: "I don't want to be answering letters from policyholders which say, 'Last year you paid me \$100 a week. Now you're only paying me \$80 a week. How come?' I'd feel uncomfortable. The Metropolitan would feel uncomfortable."

Metropolitan's opposition is so firmly founded that Vice President Charles G. Dougherty, who is spearheading the anti-VA fight, is inclined to believe the company wouldn't sell VA policies even if the legislature clears the way and competition becomes pressing.

"While it is difficult to predict the future," Mr. Dougherty says, "our present thinking is that we wouldn't touch variable annuities, regardless of what happens."

Another influential voice that has been raised against variable annuities is that of M. Albert Linton, board chairman of Provident Life Insurance Company of Philadelphia. In a speech to the American Finance Association, Chairman Linton presented a thorough review of all aspects of the variable annuity pro-

posal, and concluded: "... It would be an unfortunate day ... if life insurance companies should include this essentially mutual fund principle among their offerings to the general public." He did, however, concede, without advocating it, that "there would seem to be a reasonable place for variable annuities in the group annuity rather than the individual policy field."

Life insurance, as industry leaders point out, is "one of the few remaining big businesses" that is under regulation of the various states, rather than the federal government. The insurance industry urgently wants to keep it that way. The attractiveness of insurance as an investment also is enhanced by the relatively low federal tax in comparison to that imposed upon stock profits.

Those are among the big reasons why the still predominant anti-VA element of the insurance industry hates to see securities trade associations pass resolutions, dispatch letters to federal agencies and button-hole congressmen concerning the variable annuity question. The se-



curities people are sweetly reasonable and, from their point of view, logical—there's nothing wrong, they say, with selling stocks, mutual funds, annuities or what-not, as long as they're legal, but why not bring insurance companies under SEC regulations and subject them to the same taxes imposed on securities operations if they're going to get into the stock business?

The executive committee of the National Association of Securities Administrators—officials who administer stock sales laws in the states—has passed a resolution stating:

"... The absence of legal safeguards provided by federal and state statutes could prove to be detrimental to the investing public because of ... the basic similarity of the variable annuity plans to the sale of securities which must be made under various federal and state Blue Sky laws and regulations. The effect ... would be to deprive a large segment of the investing public in variable

annuity plans of the safeguards imposed on the securities industry for the protection of its investors ..."

The insurance industry has reacted in several ways. The executive committee of the American Life Convention has taken the position that VA business "should be transacted by corporations formed especially for that purpose and strictly regulated by government and that such business should not be engaged in directly by life insurance companies." The Life Insurance Association of America adopted a resolution taking "no position," but saying that such business, if sanctioned by future legislation, "should be strictly regulated in the public interest."

The National Association of Insurance Commissioners, representing state insurance officials, after conducting hearings on the variable annuity question, also decided that, with industry opinion "so divided," the state commissioners would "take no action either approving or disapproving the sale of variable annuities by life insurance companies at this time." Its report, however, did spell out a number of safeguards that should be followed if VA sales are sanctioned by individual states.

Amid the proposals, counterproposals, legalisms and legislative skirmishes, there is one circumstance that transports the argument from the realm of theory into the area of tangibles. That is the fact that Mr. Johnson's Variable Annuity Life Insurance Company of America has sold some 50 policies in the District of Columbia. That act has brought the issue squarely before the Securities and Exchange Commission.

The SEC has been bombarded with briefs, letters and other communications from various elements of the securities business, which it regulates, urging it to come to grips with the VA issue. The decision it will have to make is whether life insurance companies that sell policies based on common stock pools should be subject to the same regulations as securities dealers.

The SEC, if and when it moves, can, 1, rule it has no jurisdiction; 2, order public hearings, which could lead both to lawsuits and requests for additional federal legislation, or, 3, strive to bring the issue to a head without a public hearing by going into federal court and requesting an injunction against Mr. Johnson's company as the only commercial firm which has sold a VA policy. SEC was not ready to announce what course it would take.

For the Treasury, Dan Throop



Smith, Special Assistant to the Secretary in Charge of Tax Policy, says a study already is under way to determine whether variable annuities, as alleged by the mutual fund interests, enjoy an unfair tax advantage.

Actually, Mr. Smith said, the VA study is part of a special examination of the entire question of life insurance taxation, which has been under way for some time.

From nonofficial sources, it was learned that one of the possibilities the Treasury will be asked to consider is whether variable annuity insurance policies might be converted into a tax dodge by wealthy men with no real interest in old-age retirement. It was suggested that, under some types of policies that have been suggested, a person trying to avoid taxes might buy a policy outright, and then withdraw his money later, or even sell it to a third party, to take advantage of the favorable tax rate.

George Johnson of VALIC reports that this is a far fetched and fanciful hypothesis.

As the controversy—pro and con—rages a middle ground also is beginning to develop. Some insurance companies originally opposed to the idea are suggesting that the VA idea might be all right if insurance companies would organize wholly separate subsidiaries to handle the sales. Prudential opposes this: It intends to use its present trained organization to do the job.

A prominent spokesman for the middle point of view is Louis W. Dawson, president of Mutual Life Insurance Company of New York, who has issued a statement to his agency managers, titled: "A Calm View of Variable Annuities." He points out what, in his opinion, are possible weaknesses in the VA formula—one being that inflation is not necessarily here to stay; another, that VA retirement benefits would not be a sure-fire hedge against inflation. At the same time, he does not represent VA as all bad.

"Fortunately," President Dawson says, "there is no need for the whole life insurance industry to plunge headlong into variable annuities on a national basis. We can work out this question by gradual development, on an experimental basis."

"In the final analysis, the life or death of the variable annuity will be decided, not by the managements of life insurance companies, but by the American public. If it fills a real need and is soundly conceived, it will continue to develop, in spite of all efforts to discourage it. On the other hand, if it fills no great need and is not soundly conceived, it will soon disappear from the scene." END

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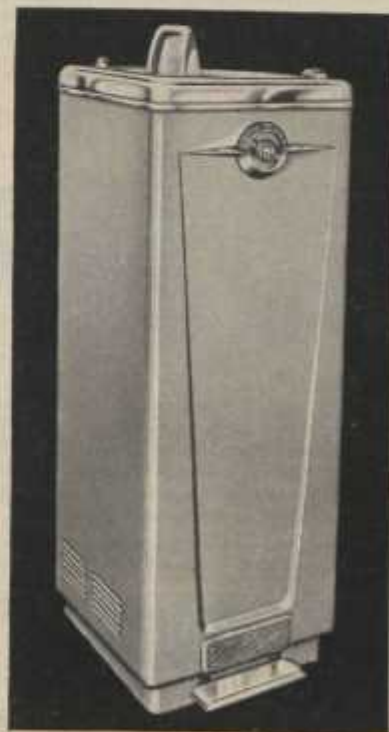
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**3.** Let Westinghouse make a PAY-WAY SURVEY of your plant or office—at no cost or obligation to you. Just call your local Westinghouse Water Cooler Distributor. He's listed in the Yellow Pages of your telephone directory. Or, for a free Pay-Way Booklet write to the address below.

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## WASTE FAST ROADS

*continued from page 33*

that make accurate speed measurement possible. Wide tolerances were expected between the posted limits and the speed at which an arrest would actually be made. Such devices as radar make possible the arrest of every driver exceeding a speed limit by even one mile per hour. The wholesale arrest of drivers for minor infractions that this makes possible was not the lawmakers' intention.

► *Speed limits should encourage uniform speeds.*

If all traffic moved at the same speed, there would be no overtaking and passing—which results in a large number of fatalities and injuries. The greatest tendency toward uniformity is achieved when no more than 15 per cent of the drivers exceed the clearly posted speed limit.

► *There is no such thing as a safe speed limit.*

Accidents and fatalities occur at all speeds. Actually records show that more traffic accidents and fatalities occur at speeds below 45 miles an hour than above; a large percentage of them happen at speeds below 35 miles an hour.

C. C. Wiley, professor emeritus of Highway Engineering at the University of Illinois, has wryly described the speed situation. He says, "Accident records show that 12 per cent of the fatalities occur at speeds more than 60 m. p. h. Therefore, eliminate speeds above 60 and reduce fatalities 12 per cent. The same record shows about 12 per cent of the fatalities occurring at speeds under 20 m. p. h. So, eliminate those low speeds and save another 12 per cent. That would leave 76 per cent between 20 and 60 m. p. h. Eliminate those speeds and get rid of all accidents. The only safe speed limit thus comes out as zero."

The dangerous thing is a rate of movement that is "too fast for conditions." Professor Wiley succinctly summarized the whole matter when he said, "Traffic must move and speed is inherent to movement. It must move rapidly to satisfy the demands of transportation because the motor vehicle owes much of its value to its ability to go places quickly."

J. E. P. Darrell, director of Traffic and Planning for the Minnesota Highway Department, states, "We must recognize the difference between dangerous or reckless speeds and merely reasonably fast driving speeds. Certainly we do not defend the first, but the second need not be

harmful and is one of the essentials of acceptable traffic conditions."

B. W. Marsh, director, Traffic Engineering and Safety Department, American Automobile Association has said, "Rapid movement with reasonable safety is the goal in transportation. Since fatalities occur at almost all rates of movement, when does the rate become the 'speed that kills,' incompatible with sound transportation? Until this question has been satisfactorily answered, we should not be too dogmatic as to a specific speed limit."

Examples that are used to show drastic traffic accident reduction after a speed limit has been lowered, frequently fail to take all the facts into consideration. In a recent example a 60 m. p. h. limit was reduced to 50 on a section of road where traffic accidents had been unusually high. One year later traffic accidents were down 35 per cent.

But studies showed that the lower limit had not reduced vehicle speeds one bit. There had been an intensive enforcement program and safety educational campaign. Neither the lower speed limit nor the enforcement program had reduced speeds, but the program had made the driving public conscious of the need for caution on this stretch of highway. They did not drive more slowly but they did drive more cautiously.

Another study showed that a series of cities where speed limits had been consistently raised to a realistic level had fewer traffic accidents than before such limits were raised.

► *Many factors are more important than speed in causing accidents.*

Traffic accidents have a definite cause and definite remedy. They are not really accidents at all.

Chance crack-ups—in the main those resulting from a tire or mechanical failure—are only a small percentage of the total. Most accidents result from an accumulation of circumstances which are more than the driver can cope with. For example, a driver approaching an uncontrolled intersection at the same time three other drivers approach it on the other streets has nine decisions to make within a matter of seconds. He must decide which of three possible movements each vehicle will take—straight through, left, or right. A driver who approaches at a reasonable speed has time to decide. But most speed limits would be too fast.

No traffic regulation can compensate for inattention, aggressiveness, pride of power, revenge, haste, condemnation, recklessness, daring and other traits. These are reflected in



driving on the wrong side of the road, cutting in, failure to yield right of way, following too close, weaving from one lane to another, stopping too quickly and, yes, driving too fast for conditions.

Only traffic signal systems that are sensitive to variable traffic requirements should be used. Fixed time signal controllers, particularly those without programming devices, create untold delay. An example of efficient intersection control came during last year's bus strike in Washington, D. C. Special traffic officers were assigned to regulate hundreds of intersections throughout the city to augment stop signs or traffic signals. This efficient manual control moved much heavier traffic volumes effectively. But, untrained manual control can do more harm than good. This also shows the need of properly staffed and trained traffic police along with traffic law and highway modernization.

► *Stricter enforcement is needed for many traffic violations formerly considered minor.*

Streets are needed for the movement of traffic, and street space should be used to the maximum of efficiency. On heavily traveled arterials, stopping, except for emergencies, should be a gross violation of the law.

Drivers should not be permitted to drive too slowly. They are often more of a menace than fast drivers.

Many drivers smugly feel that they are the only safe drivers in the traffic stream because they leave four car lengths between themselves and the car ahead even though two would be enough. If each car took up twice as much room on the street as it needed, think of the congestion.

The driver who holds back when approaching a red light is also using street space unnecessarily.

Changing from one lane to another if done with caution should not be condemned. Moving into a less congested lane makes better use of street space, fills up a less used lane and leaves a space in the lane just left for the traffic behind.

Restriction of left turns and also, where there are pedestrians, right turns, is vital in expediting traffic flow through critical areas.

In short we need to get rid of out-moded concepts of traffic and enforcement if the expanded road building program is to accomplish the purpose for which it is intended.

The future of automotive transportation can be bright if we match dollars for roads with realistic traffic regulations. The green light is due for a longer interval.

—J. EDWARD JOHNSTON



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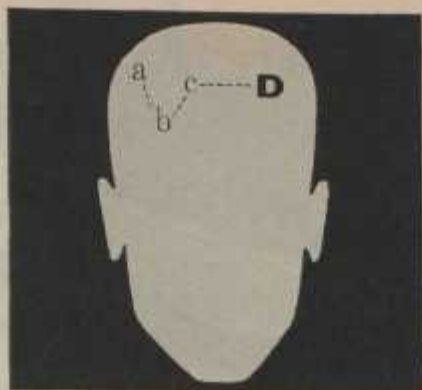
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## HOW TO MAKE A BUSINESS DECISION

*continued from page 39*



by 1963 we have to commit ourselves this year to having one built.

And we know that a company that needs top management people ten years hence better start now to put some men into responsible positions where they can be trained and tested. It takes at least ten years to prepare a man for a top management position, even in a fairly small company.

The lead-time should always determine the timing of a decision. To make a decision several years before we actually have to make it to get results when we need them is tempting fate; it is wise not to strain one's capacity to predict the future any further than it has to be strained. But once the lead-time has been reached, postponing a decision is in itself a decision—a decision not to do anything. If this should turn out to be wrong we will be in trouble. Occasionally procrastination can be made good through a crash program; but under the best of circumstances this is expensive. In most cases a decision that has been postponed beyond its proper timing has gone for good, and with it goes opportunity.

Finally, as part of the job of defining the decision, we set out the specifications for the acceptable solution. One element in this is the objectives. What must we accomplish? Is it enough for the decision to overcome a present difficulty? Or must it also prevent recurrence of the crisis? Is the decision to be purely defensive, to protect a company against expected moves of competitors? Or is it to move the company ahead and give it an advantage over competition or a new opportunity to grow and to expand?

The other element in these specifications, and the one most commonly slighted, is a careful examination of the risks a business can afford.

There are no riskless decisions nor can there ever be. Yet no business can possibly accept unlimited risks.

The question, "what risks can we afford to take?" is therefore basic. In deciding to build a new plant

there is, for instance, the question: Which risk are we more willing to shoulder, the risk of being saddled with idle plant capacity on which we have to pay interest and amortization; or the risk of losing customers and markets through failure to supply an increased demand?

Any pricing decision similarly weighs the risk of losing part of the market against the risk of an inadequate profit margin. In introducing a new product, the risk of becoming obsolete has to be balanced against the risk of introducing a new product with its tooling or development expenses, the costs of getting it to the market and its risk of failure.

Not all the risks involved in a decision can always be spelled out, let alone reduced to figures. Yet it is almost always possible to define clearly the outside limits of the risks the business is able to take. That is the point beyond which risk-taking should not be carried. This in turn will give the businessman a better understanding of the nature of the decision he faces and a much clearer idea what decision is likely to be the right decision under the circumstances.

### **Defining our expectations**

Most of the earlier books on problem-solving or decision-making went into details about finding the facts. Many businessmen pride themselves that they always base their decisions on facts.

Our modern study of decision-making leads us to take a dim view of this assertion.

Actually we must always base our decisions on assumptions regarding the future; and the only facts we can ever have are in respect to the past.

This is a good deal more than academic quibbling. It spotlights one of the basic difficulties of the businessman who has been brought up to have great respect for facts and to hunt for them when he faces a major decision. Yet his decision

will, in the final analysis, be of necessity an appraisal of what he expects to happen in the future.

What we need is to define the expectations for the future that govern our decision. This, incidentally, is the only way by which we can build into the decision some mechanism toward later review and improvement. For only if we clearly spell out what we assume will happen can we be sure of knowing when a decision needs to be reviewed and revised because actual events differ from our expectations.

Defining our expectations also enables us to find out what historical records—what facts—we ought to consult. I have yet to sit in on a major decision in a business where we are not flooded by facts and figures—and where we do not complain bitterly that we cannot get any of the relevant facts. The fault, I hasten to add, is ours. We have not thought through what our expectations were and therefore do not know what facts we need. As a result we have millions of figures—but no real knowledge whether they are relevant and what they have to tell us. Once we have thought through what we expect to happen we can then define clearly what figures we need, what among them we can get, and where we have to do without facts and have therefore to guess—and to pray.

### **Developing alternative solutions**

Once the problem and the expectations have been defined and analyzed we are ready to talk about solutions. The important letter in this word is the final "s." The temptation is extremely great to come up with the "right" solution at once. This is one of the major weaknesses of decision-making. The "right" solution, that is, the obvious one, rarely is really the one that will give us the best answer to the needs and opportunities of the situation. In fact the "right" solution often represents only the prejudices we started out with—so much so that we usually don't have to analyze the problem or study the available facts to arrive at this solution.

The way to avoid this common pitfall is to make sure that we always consider the full range of solutions that are possible within the objectives we have set and within the risk we have decided we can afford. To make sure that we really consider the alternatives, it often helps to start out with the most absurd of all conceivable solutions. We should also insist, both for ourselves and for



our associates, that the pros as well as the cons for every alternative solution are spelled out in considerable detail. Any statement that begins with the word "obviously" should be challenged. You will be surprised how many times the attempt to prove what at first seemed a perfectly obvious statement leads to the conclusion that the opposite is actually more likely to be true.

One large company that has spent a great deal of time and thought on decision-making has concluded that we ought to drop our emphasis on action recommendations in all staff reports. The argument is that the emphasis on a recommendation forces the writer to settle on one alternative and thereby to argue against all others when his job really is to study all of them and to give management the fullest information to choose between them.

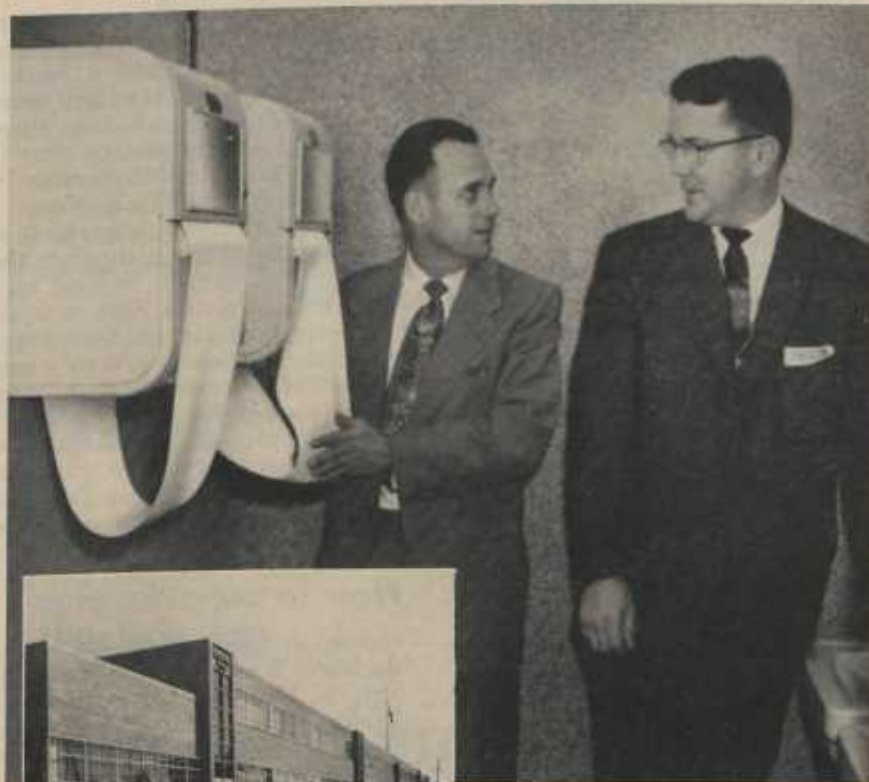
Making sure that all the alternatives are considered is necessary because we normally see only what we expect to see and therefore tend to overlook the unexpected. It is lack of imagination rather than lack of intelligence that is the problem we have to overcome in decision-making. Considering all the alternatives is also the only way we have to make sure that we do not overlook opportunities.

An example here is that of a small manufacturer of plumbing equipment who found his sales going up sharply while his profit remained stable or actually shrunk. He diagnosed the trouble as resulting from his factory, which was old, crowded and in a congested area so that it could not be expanded. He decided to build a new factory with greater capacity—and as a result found himself out of business within a year.

He had diagnosed the problem correctly; he could indeed not produce efficiently in the old location nor could he expand production. But he considered no alternative except that of building a new plant which he was financially incapable of doing.

Any number of alternatives were available. He could have subcontracted part of his production and kept in his plant only that part for which the plant was best equipped. He could have rented or bought a plant instead of building one. He could even have stopped manufacturing altogether and, capitalizing on his standing in his market, had his goods made for him by outside suppliers. He could have become a distributor for somebody else's goods. Or he might have merged, marrying his marketing skill and

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## MAKE A DECISION

*continued*

market standing with the production skills and low cost of some other company which needed a market outlet. Actually, the company never even considered any of these alternatives—it was so obvious that it had no choice except to continue in the old plant or build a new one.

It is particularly important to consider the alternatives when the decision that seems to be most logical and most nearly right is to do what everybody else has been doing. When the problem is to copy a new product of a competitor or to meet a new competitive price, the temptation to play follow-the-leader is always great. Yet in such situations a different solution often produces the greatest results and offers the greatest opportunities.

### How to use a decision

Now we are ready to make the decision. We know what we can do, that is, the range of alternatives. We know what each of them requires in the way of efforts and costs, what each of them is likely to produce in the way of gains, and what the risks

judgment. But at least we will have narrowed the range of judgment considerably. We will also have made sure that everybody connected with the decision talks about the same thing and considers the same factors. We will know what we actually decide when we pick one course of action over another. This decision, while still judgment and risk-taking, will be a rational decision with definite expectations and definite reason behind it.

Still we have to make sure that it is converted into action. By and large, the people who make the decision are not the ones who take the actions needed to make a decision effective. We must therefore make sure that the decision is understood by the people who must carry it out. The first thing to note is who these people are. Every decision requires an action-plan which spells out who has to do what, when, where and why before the decision can be effective. Then we have to make sure that the people who have to take action really are willing and able to take it. This is the time for meetings, for presentations, for discussions and for participation. Here is the place to apply all we have been learning during the past 20 years about working with people.

## WHEN YOU MUST DECIDE . . .

Don't regard decision-making as a problem. It is actually an opportunity.

Don't expect to end risks. There are no riskless decisions.

Don't lean on facts. Decisions must be based on assumption.

Don't expect the right answer at once.

of each are. We now can compare the range of actions available to us against the specifications in respect to objectives and risks.

This does not normally give us automatically the right decision.

In the first place we rarely find a situation in which any of the available actions is perfect—and we find none at all which are riskless. Usually two or three courses of action are equally desirable and equally undesirable. We have always to exercise

Finally we have to build into the decision the measurement of its effectiveness. The foundation for this is laid when we spell out the expectations on which we base our action—the things which we expect will happen and in anticipation of which we have made the decision. This enables us to say concretely what the decision should achieve; and also what, outside of the decision itself—for instance in the national economy or in the technology of our



business—has to happen for the decision to remain effective.

When we decide to build a paper plant a certain way, we assume certain price relations between various kinds of cardboard, wrapping paper and writing paper. When these price relations change we will have to decide whether the plant has to be changed or whether the product-mix for which it was built is still the most advantageous one. To be able to do this we have to put into the decision to build the plant a clear, unmistakable and policed instruction to let us know immediately as soon as the price relations, which we assumed and expected, change in any significant way.

This is, of course, simply saying that no decision we make, and especially no long-range decision, can be assumed to be the right decision. The odds against human beings being able to predict the future are overwhelming; and no system can possibly beat them. Hence we must make sure at least that the decision will be reviewed as soon as events indicate that we had the wrong expectations and what the right expectations should have been.

The steps outlined here may seem laborious. Actually they are time savers. Today most executives spend a tremendous amount of time on fact-finding, on picking the right decision and especially on making the decision effective. Even more time is spent bailing out decisions that have gotten into trouble as the future unfolded. Time spent on these things is cut sharply in a rational organization of decision-making. Time is spent instead on the first phase, the definition of the decision, and on the third phase, the thinking through of the alternatives. But the time spent on these steps is a fraction of the time we now spend agonizingly finding the answers and "selling" the decision.

A rational approach to decision-making not only results in better decisions—and above all in clearer decisions—it also results in easier and faster decisions. It does not—and this point cannot be emphasized often enough—result in riskless decisions. It does not replace the mature manager's responsible judgment by a computer or an infallible system. It enables the manager, however, to make the commitments and take the risks with greater clarity, more simply and with greater chance of success.—PETER F. DRUCKER

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# You can grow your own executives

Businessman employing 250 finds payoff in developing his own management program at moderate cost

SMALL concerns can advance executive proficiency by applying the Do It Yourself idea to management development. Some of them are achieving notable success, at moderate cost, as in the case of Mr. John Hazen White, president of Taco Heaters, Inc., Cranston, Rhode Island.

A closely held family firm, Taco manufactures pumps, valves, pipefittings for residential hot water heating systems as well as for commercial and industrial cooling and refrigeration. It employs about 250 people, a gain of 43 per cent from 1952 when Mr. White "began to wonder how a Greenwalt could run a du Pont, or a Cordier a GE when I took 80 to 100 hours every week to operate our pint-size business."

"It was management by me," he continues, "which is the major mistake of most small businessmen. Our products were fine. And we were successful. But I felt that I had to be in the middle of everything, and that's no good for the long run."

He decided that he would have to revamp the Taco structure. What this meant in effect was that he would have to inaugurate his own management development program, starting with himself.

He therefore began looking around to see where he could find help which, in his view, is available to the small businessman for little more than the asking.

Through a mutual friend he had a talk with Dr. Earl Planty, Director of Executive Training at Johnson & Johnson. He confirmed Mr. White's hunch on the importance of first qualifying himself to delegate responsibility and the authority to match it.

"It's not easy to make up your mind to let go," Mr. White observes. "True and complete delegation of a job is about the most difficult thing a small businessman ever has to do. He has to be willing to allow others to make mistakes with what is often his own money. More than that—he has to encourage them to run the risk of making mistakes."

Upon Dr. Planty's suggestion, he enrolled in the American Management Association's 30 day course

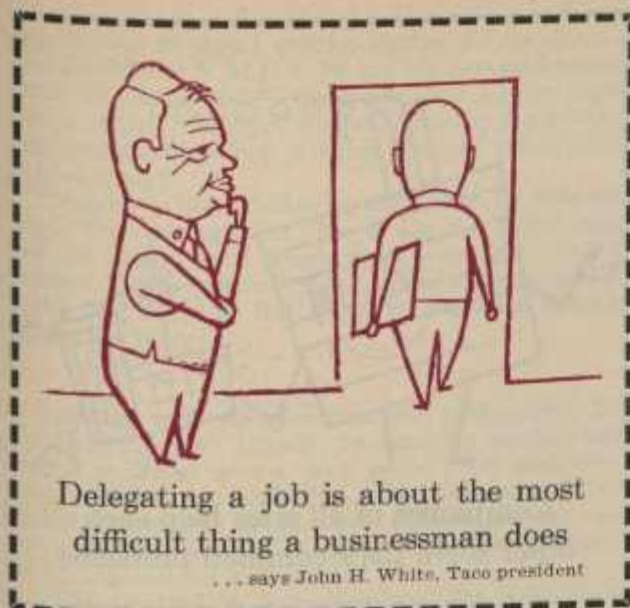
on management principles. Shortly afterwards he spent a day with some business contacts at Trumbull Products (now a GE subsidiary) getting briefed on how managers were prepared for promotion. Finally, he went to Baltimore where E. G. Uhl, vice president for engineering at Glenn L. Martin Co., (whom Mr. White had met at AMA sessions) gave him an afternoon's concentrated instruction in the precepts of planning the engineering work-load.

After a total self orientation expenditure of around \$1,150—including outlays for travel, entertainment, the fee for the AMA course, and his maintenance in New York City while taking it—Mr. White arrived at these conclusions:

- ▶ The best managed enterprise is marked by the most complete participation of its people who, at every level, must understand and help formulate policy and procedure.
- ▶ Money incentives, while crucial, are not by themselves enough to call forth unstinting effort.
- ▶ The whole man goes to work in that the employee brings to his job his emotional and mental as well as his physical self.
- ▶ The elements of satisfaction or frustration are to be found within the framework of the company group. The difference between a person wanting to perform capably, or just putting in hours for the sake of a paycheck is a matter of the spirit of the place; the sum total of attitudes toward him together with his attitude toward others and toward his status and prospects.
- ▶ The tone and temper of a small business particularly are set by the manager's own behavior, especially in his relationships with his immediate subordinates.
- ▶ Management development, along with other advanced techniques, cannot be imported intact from the experience of any other firm.
- ▶ The "one big happy family" slogans belong in the dustbin along with the paternalism they signify.
- ▶ To earn the vital loyalty of employees, management has to foster the conviction that opportunity and encouragement are real.

To carry out the implications of this approach, Mr. White asked colleagues to help him define the purpose





of Taco in terms both of current products and future fields to be explored such as electronics, and air conditioning. He asked them to think through what should be done to heighten executive capability while building the business into an institution where a sense of community could prevail.

"First-rate management comes first," he told them, "when we get that, the profits will take care of themselves."

An early move was to re-examine the Taco organization to sort out specific assignments and to break them down into more precise job descriptions. Engineering, for example, was divided into drafting, blueprints, laboratory, sample making, clerical and the like. All this was routine enough until the question arose as to what extent the engineers should be obliged to originate redesigns of existing products. The answer was that they should assume complete initiative in that category as well as in creating new products and reducing costs; that they should, in effect, become business managers also.

"On a proposed new product" says Mr. White, "we now say to them 'what we want is something we can afford the machinery for and sell in volume at a respectable profit. You take it from there'."

The response of engineering to its broader prerogatives and enhanced feelings of importance was to offer, within a year, 61 suggestions on old and new products and for cost cutting which together helped to enlarge earnings, which in turn were reflected in higher wages, purchase of new equipment, other benefits.

As another basic step toward management development, Mr. White stopped operating out of his little brown book as his father had done before him. It contained overhead and related figures, but access to it was limited to Mr. White and two other executives. Even at a time when gross sales were nudging \$3,000,000 a year, Mr. White personally assigned all amounts to be spent, based on the data in the brown book. He scrapped this procedure in favor of an open income and expense budget to serve not just as a planning tool but also as a way of training others for more responsibility. He authorized each department head to calculate whatever sum he would need for the coming year, subject only to consultation with his peers and final review

by Mr. White. This change enabled all managers for the first time to view the Taco operation as a whole.

In thus revising budget projections, Mr. White also perceived that bookkeeping and other financial activities had been allowed to spread all over the place. To centralize them, he established a new Finance Department, naming as its chief Peter G. Leddy who, as manufacturing manager, had displayed a distinct flair for administrative and fiscal concerns and who, to prepare himself more fully for his new position, was promptly taking AMA courses.

This transfer left Mr. White as his own manager of manufacturing. This gave him exhaustive exposure to what happens on the factory floor but it kept him so immersed in production that he was always sprinting to catch up on his other duties as president.

He therefore began coaching Hubert Essley, who was in charge of production and purchasing, in the wider ramifications of Taco manufacturing, entrusting more and more decisions to him until, after six months, he was ready to take over on his own. In turn, Mr. Essley is bringing along his understudies in accord with the idea that every head of a department or section has to spend a reasonable portion of his time schooling subordinates. Inevitably, Mr. Essley soon was acquiring his diploma from AMA.

"To make a management development program work," he says, "you have to be determined to stimulate growth of the company and the individual at the same time. In our employee training we don't promise definite promotions. We simply offer the chance to develop yourself for its own sake."

To extend this chance to develop, Mr. White felt that his own judgment, and that of other executives, should be reinforced by psychological testing.

Accordingly he spent \$1,000 and two weeks in Providence getting intensive instruction in how to apply the Walter Clarke Activity Vector Analysis, a word association and self-estimation method which indicates character traits and skill potentials. Mr. White then sponsored the training of several other Taco executives in AVA. It is used on old employees (voluntary) and on new applicants (mandatory) to supplement managerial judgment.

The Taco belief in testing devices as indicators of abilities nearly cost the company the services of one of





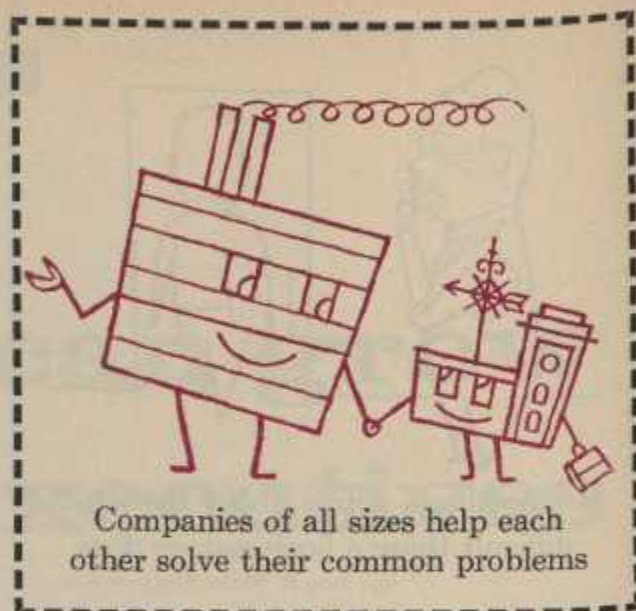
its more promising younger men, Jack Hird, now head of quality control. When he applied for a job four years ago, he was, he recalled "bombarded by a battery of tests that lasted a whole day. When they threw a fresh one on the desk around four o'clock I thought well, just one more, but that was the last."

With a background that included a degree in engineering from the U. S. Merchant Marine School, and a degree in agriculture from Rhode Island University, Mr. Hird had achieved a phenomenally high score on all the tests. Hired in part on this showing, he was put to work on assembly to familiarize himself with Taco facilities and to observe its quality control from incoming material through all processing stages to finished product.

After a year he was sure that the Taco arrangement was definitely obsolete. But he was unsure how to modernize it. So Taco sent him at his request to the University of Connecticut to study statistical quality control, first for 14 days and then for two months.

Meanwhile, cheered on by top management, he read everything on the subject, from Dewheart on the laws of probability to the Jones & Lamson Machine Company's findings on factors of precontrol for anticipating trouble at its source.

Just as Mr. White had sought guidance from other firms on modern management practice, Mr. Hird sought pointers on statistical quality control. From Marchant Calculators, Inc., he obtained what he believes are the most lucid definitions of quality control for shop use. From the Hamilton-Standard Division of United Aircraft Corp., he adapted a lot-plot sampling method; from IBM an attribute sampling plan; from Delco-Remy Division of General Motors a dis-



Taco should put in a modern statistical quality control system.

"Go ahead and build it," he was told. With front-office sanction, he spent \$325.50 on a Boston consultant to verify and approve concept and calculations. He then completed and installed a highly advanced statistical quality control program.

Since Taco products have to conform to tolerances up to one ten-thousandth of an inch, Mr. Hird wanted practical performance check-ups for control valves, air-scoops, circulator pumps, water heaters. But the company could not afford the expensive equipment for duplicating operational conditions with the exactitude he sought. It was therefore arranged with 15 employees who owned houses in Cranston—some old, others new, and variously supplied with water from high or low city pressures, or from wells—to install and service their piping and heating in exchange for the privilege of using their homes as laboratories.

Taco's statistical quality control set-up not only paid for itself several times over during the first year but has also been extolled by authorities as outstanding among smaller firms in New England.

When Mr. Hird saw that he would need a quality control analyst as assistant, he found him in the person of a former radial drill operator, Emile Martineau. His latent gifts for mathematics were confirmed by tests and performance.

"I wouldn't have had the nerve to try out for that job, if it hadn't been for Mr. White telling me that maybe I had the right sort of mind for it," says Mr. Martineau. Still surprised by the existence of a talent he never suspected, he was soon learning about Dodge & Romig tables, the construction of histograms, the sign of the sigma, and the use of micrometers, verniers, and gages, from plug to dial depth. To fill in the gaps of a sketchy high school education, he began extension studies at Rhode Island University in algebra, trigonometry, calculus, physics, going on toward a degree in industrial engineering, at Taco expense.

The company also picks up the tab for the 13 per cent of its personnel who attend similar evening classes. There are only two pre-conditions: the employee has to have approval from his supervisor and he has to maintain passing grades in the subjects he elects.

A foreman, Frank La Salandra, for example, is tak-



tribution frequency curve. From Federal Products Corp. he got permission to reproduce copyrighted charts and forms for inspection control by the operator at the machine. He received similar assistance from U. S. Rubber, Gillette Razor, Rath & Strong, Mat-tutuck Manufacturing. Like Mr. White, he discovered one of the open secrets of U. S. economic vitality, the willingness of companies, whatever their size, to share knowledge in solving common problems.

When he had blended the various ingredients into his own trial mixture, he borrowed visual aids from still another company (Speidel) to demonstrate why



ing courses in report writing and public speaking at the Providence Y.M.C.A. So are his two subforemen, while 27 out of the 75 operators they jointly supervise recently completed a special course in arc welding and machine-shop practice given at a local trade school at night.

"Nobody is just a badge number," Mr. La Salandra says. "Our management likes to see you better yourself. Of course, some people don't want that—they're content just to put in a day's work, honest work, all right, but that's it. But if you've got what it takes, this is the place."

Together with other foremen, and subforemen, Mr. La Salandra also attends the training session held from 7 to 9 p.m. once a week in the plant conference room. Under the leadership of an educational specialist, supervisors of all ranks discuss and act out, for example, the case of the overstandard producer which is presented in this way:

"The standard on John Hammer's job is 50 pieces per hour—or 400 pieces per day. He regularly turns out 460 pieces per day, or 115 per cent of standard.

"However, during his shift, he continually takes personal breaks, and seldom works at all during the last half-hour. Instead he saunters around the shop, talks with others, often interrupts the work flow.

"His foreman discusses this matter with John, asking him to put in a full eight hour day. John is belligerent about it, counters with the fact that he is giving the company 15 per cent more production than the standard calls for; therefore he is earning his pay, and the foreman has no right to demand anything more of him.

"How would you handle this situation?"

Other topics include how to detect the accident-prone personality, how to avoid hiring drifters, how to take care of a request for transfer from, say, shipping to the tool crib; how to calm the man who blows his top over a bad space in the parking lot. On a different plane, the supervisors consider how to achieve the most effective expositions of such economic ideas as the role of capital, the meaning of competition, inflation and real wages, the impact of automation.

They are also groomed in the conduct of plant discussion meetings which occur regularly in groups of not more than 20 employees each and are designed



The company pays the cost of courses for employees who want to improve

... Foreman La Salandra studies report writing

to keep everyone informed on what he needs and wants to know. They are not telling sessions since the employee does not enjoy being told. Hence the foreman, who acts as chairman, encourages workers to ask questions on any subject. If a complete answer can't be given, the answer is obtained and given to the worker within 24 hours, a rigid Taco rule.

In a recent gathering of this sort, there were 71 employee comments. They ranged from the observation that "too much material is stacked too high and not reachable from the racks" to the complaint that "the small orange truck is being overloaded with lumber" to the request for "another drinking fountain in the bending department" to such inquiries as "Who is our largest competitor?"

Sometimes, as when Taco's new retirement plan was inaugurated, the meetings are larger and a member of top management explains the significance of the new step and invites discussion about it.

Supplementing such face to face exchanges of ideas and information are letters Mr. Essley sends to every operator. They may point out that, to keep up with new schedules, Taco has ordered another lathe, or that the quality control room is being air-conditioned to provide more uniform temperature for more accurate gaging, or that certain specific employee benefits for which Taco pays (Group Life Insurance, Blue Cross, vacations and the like) are worth 33 cents an hour.

In 1954 when Taco was moving from several separate shops in Providence to a single new plant in Cranston, every foreman was assigned the task of laying out his own section within the general floor plan.

"Don't be afraid to make mistakes on this," Mr. White urged them. "I expect you to, and if you don't like where a machine or bench is put down, we'll move it. All we expect from you is to end up with what we can agree on as the most efficient layout possible."

The senior foreman, Mr. Fred Person, who has been 35 years with Taco, relates how each of the foremen, in turn, asked the advice of his operators, many of whom helped to plan layout on their own time. Week ends they often brought their families to tour the new plant and to point out where their sections and machines were going to be.

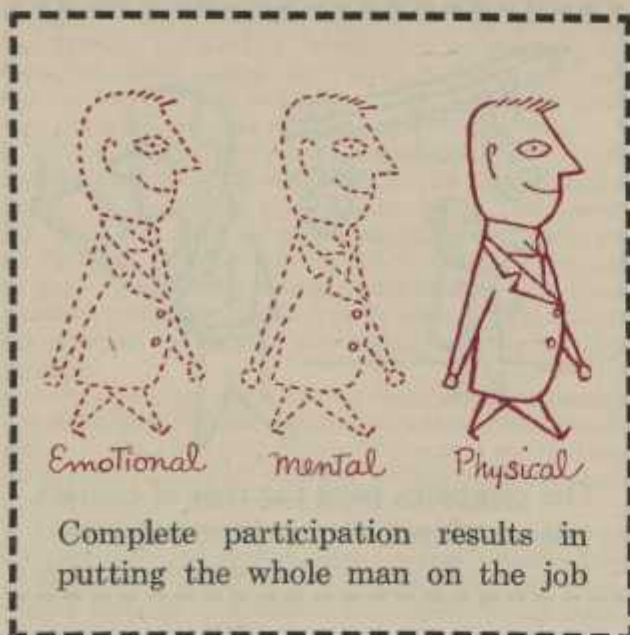
Behind all these activities, the meetings, letters,



Management circulates to find out how employees are getting along

... Mr. White discovered Mr. Martineau running a drill





participation in layout and kindred forms of work are three related purposes:

1. To maintain two-way communication among employees and management;
2. To intensify feelings of personal involvement in everything Taco does;
3. To foster an environment inducing self-development efforts.

"The way to get productivity," Mr. White says, "is to have your people interested in the business because they know that whatever they contribute is recognized and is to their advantage along with that of the company's. You can't buy that state of mind with high pay scales. You have to build it with an accretion of many things."

In extending this concept to the sales force, Taco has to cope with peculiarities inherent in its type of business. Like its competitors, Taco—in much of its selling—does not deal directly with the plumbing and heating contractor but rather with the distributor. But the distributor will not stock Taco (or rival) products unless the contractor asks for them.

To generate that sort of indirect demand, says Robert H. Chaffee, general sales manager, means that "our salesmen often have to be missionaries who sell an idea for tomorrow instead of writing an order today." The Taco development program for salesmen as shaped by Joseph R. Murphy, vice president for sales, together with his former aide, Mr. Chaffee and Mr. White, entails careful screening to select a personality type who ideally should combine five major attributes. He should be tenacious, have a mechanical bent, be able to impress others with his sincerity, to imagine results a year or two hence, and be an almost complete extrovert in that he enjoys seeing people virtually all the time.

Taco recruits such salesmen from widely divergent backgrounds. One top performer used to drive an oil tank truck. Another previously taught drawing in a technical school. A third formerly sold machine tools for export. A fourth is a graduate of a business administration college. A fifth was once an aeronautical engineer.

Whatever his prior experience, a Taco sales candidate gets on-the-job training for a year or more. He has to acquire intimate knowledge of the product line and the pattern of the building trades industry where 25 per cent of the firms, from architects to suppliers, do 75 per cent of the business. He has to understand that the contractor is more often than not a graduate craftsman and thus very quality conscious. He has to realize that the kind of selling he will do generally excludes tickets for the fights and night clubs.

He is then apprenticed to a first-string salesman and goes around with him for six months at least. The veteran teaches the novice by showing; the latter learns by doing—handling complaints, demonstrating better ways to repair or lubricate parts, or guiding visitors to the company's booth at a trade show. At the same time, he is expected to pursue such self-development studies as marketing or economics at a local college, or cost computation at IBR (The Institute of Boiler and Radiator Manufacture). For the rest of his career he is expected to continue his education along these lines, with stress on making himself into his own sales forecaster.

"It's slow work to ready a man," observes Mr. Murphy, "and we have a big investment before a new salesman can make a call by himself. But it pays off. Other companies are after our salesmen all the time. But they're sticking with us."

One reason for this allegiance is that Taco's sales have been going up steadily during the past four years. They rose 30 per cent in 1955. The building boom

## A SECRET OF ECONOMIC VITALITY . . .

**The willingness of companies, whatever their size, to share knowledge in solving common problems**

accounted for part of this increase. But, in Mr. White's estimate, it was due in about equal measure to Taco's accent on developing managers and everybody else. The company's break-even chart, which over the past four years discloses a rising ratio of profits to sales, would seem to bear him out.

"I know," Mr. White says, "that all of us who operate small businesses seem to be surrounded by bigness. We find a trend of thinking that suggests, even insists, that the big companies are getting bigger and the small ones smaller and fewer. Mergers, consolidations and all the publicity about them have indelibly imprinted this rather fatalistic belief in the minds of many small businessmen."

"I don't subscribe to this theory," he adds, "even though in some fields the trend toward bigness may be true. I firmly believe that, right now, small businesses can do well and flourish as they always have. But, in my opinion, management has first to be aware of the need for improving itself and willing to do something about it."—HERBERT HARRIS

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ture as he had in the infantry was soon to be all behind him.

Lieutenant Colonel Teague led his First Battalion, 314th Infantry Regiment, 79th Division, onto Utah beach on D-day plus six, and was in combat for 120 straight days before his command got its first rest. Eventually one third of his battalion was killed, another third injured.

Colonel Teague himself was wounded six times. It was on Dec. 18, 1944, that they finally knocked him out of the war. Shrapnel tore his left ankle as he reconnoitered alone, near the Siegfried Line, some 200 yards from help. He pulled the lace from his right shoe, fashioned it as a tourniquet around his shattered left leg. Then, with his foot hanging from a tendon, he crawled toward his lines, waving back aid men who sought to come after him.

Another shell exploded and shrapnel smashed into his lower back.

Somehow he made it anyway.

In the operating room ten days later doctors changed their minds about removing his foot, and instead pulled the foot and leg bones together, shortening the limb about three inches.

After 20 operations and two years in the hospital, Representative Teague still was on crutches. He also was in Congress, having succeeded at a special election his own representative, Luther Johnson, who had quit to become a judge.

"Nobody asked me to run," Representative Teague recalled recently. "I didn't know anything much about Congress, and didn't know a single member personally or even how many there were. But some of us in the hospital had done a lot of talking about the war and the government, and I just thought I would try it."

Mr. Teague arrived at the Capitol in September, 1946, with no single pledge, principle, or burning ambition that he can recall, other than a general aim to take care of returning servicemen and the families of those who didn't come back. He did take along a few fundamental concepts. One was that money does not grow on trees, and that you don't spend what you don't have.

"I can't get away from the thought that the national debt is one of the biggest dangers in the country today," Representative Teague said recently. "It's just the same as in your own home or business. If you keep on spending more than you make you are going to get into trouble. Sometimes I think the danger from within is greater than that from without. Too many have come to think that what they get from Washington doesn't cost anything."

In his view, debt reduction should

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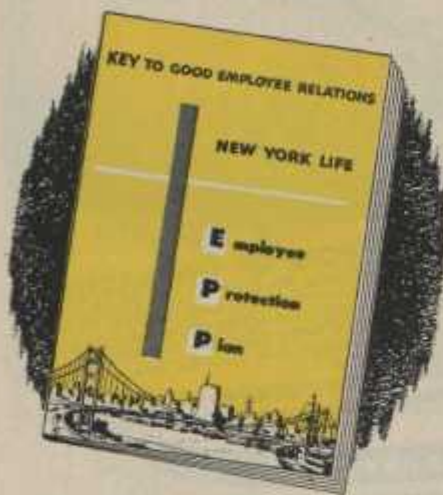
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## **WEIGHS PENSION**

*continued*

come ahead of tax cuts. He once introduced a bill to bar government spending beyond income, and to require, besides, that ten per cent of all receipts be channeled into reducing the debt. He admits today this would be a mighty hard goal to attain. But he says:

"We have got to live within our means. If that means cutting down somewhere, let's do it."

Representative Teague is not adamant on where to start cutting. One thing is sure: He won't hold still for any big raids against spending for veterans. He has battled continuously, and usually with success, attempts to trim the veterans' big medical bill. Three years ago he played a key part in a drive that added \$56,000,000 to veterans' hospital funds. Later he helped get \$16,000,000 to start work he believed long overdue putting rundown old hospitals back into shape.

Mr. Teague will resist—and can make it stick—any unlikely effort to pare benefits for the service-disabled or the widows, orphans or dependent parents of men dead as a result of service. Almost certainly, as time goes on, he will insist on increasing some of these benefits.

On the other hand, he is not likely to buy broad new benefits for the men who came back whole. He is cool to the idea of any large-scale readjustment program—like the GI Bill of Rights for veterans of World War II and Korea—for men now being drafted for two years of non-combat duty. He does not believe in the general service pension, partly on principle and partly because of the vast probable cost.

That means there may be a big fight ahead.

Officially, the American Legion and VFW have forgiven Rep. Teague for what he did to the Rankin pension bill in 1949. They still are not happy about it, though, and relations weren't exactly improved when Representative Teague, early in January, refused even to introduce "by request" the Legion's new pension bill.

Mr. Teague contends the present pension law is sound and broad enough to care for those who really need help. It provides payments of \$65.15 a month, subject to income limitations of \$1,400 for single men and \$2,700 for those with dependents. After ten years on the rolls, or at age 65, the rate goes up to \$78.75. Those so helpless as to need an attendant can draw \$135.45.

In support of his position Mr.

Teague cites the record: Of 3,112,000 living veterans of World War I—the group most immediately affected—502,000 already are pensioned. This is in addition to 231,000 who draw compensation.

The Veterans Committee for some time has been deluged with mail about one or another of the 76 pension bills on which it recently held a week's public hearings without taking immediate action. Before the Legion and VFW got their letter-writing campaigns underway, the heaviest correspondence was about an even more liberal pension proposal sponsored by a group called Veterans of World War I.

Rep. Teague got so many letters demanding action on this proposal, and so many phone calls from House and Senate members asking about its status, that he sat down and wrote a long, definitive answer, which he mimeographed and now mails out to all who inquire. It sums up his philosophy pretty well. In part, it says:

"It seems to me that our first obligation is to the veterans who were disabled, to the widows and orphans and then to those unfortunate veterans who have not been able to provide for themselves. . . ."

"It is my opinion that to enact legislation such as proposed would jeopardize our entire veteran program. For that reason I am unalterably opposed to this legislation. . . ."

In short, no.

That kind of letter, as any member of Congress will tell you, takes courage.

His friends report that Representative Teague bleeds easily for a hard luck story from almost any disabled veteran. However, he has a sharp eye for the faker, the phony or the chiseler. As chairman of a special committee on abuse of the GI Bill during the Eighty-first and Eighty-second Congresses he was the scourge of racketeers who flocked into veteran training.

He dealt unmercifully with builders who put up shoddy homes for veterans under government-backed mortgages.

Recently Mr. Teague got word that chiselers were moving into veterans' charities. Sharp operators in some cases were reported cashing in with no more than a claim that veterans—in some unspecified way—were to benefit from the proceeds. In other cases local posts had been taken in by fund-raising schemes in which virtually all the take left town in the pockets of the promoters.

Representative Teague asked the House for special authority to investigate such rackets. He can be expected to show their perpetrators no mercy.—FRANK ELEAZER



## REGULATION

continued from page 56

One of these proposals calls for a congressional declaration of a general policy that competition shall be permitted and encouraged to the maximum extent even in areas where some regulation is necessary.

A second proposal would reduce the number of private opponents that a man has to overcome when he applies for permission to enter a regulated industry.

A third proposal would undo the effect of certain unfortunate judicial decisions that tie the hands of the attorney general and the antitrust division in proceeding against monopolistic tendencies in the field of regulated industries. The general effect of these decisions is that the regulatory agency has to be given the first crack at the problem.

My final proposal calls upon the regulatory agencies themselves to consider and report to Congress on the practicability of suspending economic controls which restrict competition, where it seems likely that effective competition will prevail in the absence of regulation.

### **What regulatory bodies are involved in this problem?**

The ICC, Civil Aeronautics Board, Federal Maritime Board, and Federal Communications Commission.

### **Would you include the Federal Power Commission, Federal Trade Commission, Securities and Exchange Commission?**

The problem exists to a lesser degree in the Federal Power Commission because, for the most part, this agency deals with the classic monopoly where regulation is essential. As for the FTC it exercises no control over entry into business nor does it regulate prices. It is primarily an agency for the enforcement of the antitrust laws and laws against unfair and deceptive practices.

The SEC has some responsibilities in the public utility field but these relate largely to matters of investment and management rather than economic controls in the sense that we are here discussing.

I might add that, with regard to banks and insurance companies the problem is largely in state regulatory agencies, especially since the insurance companies were exempted from the antitrust laws by special legislation taking cognizance of the state regulatory schemes.

The federal comptroller of the currency has certain responsibilities with respect to entry into national banking and bank mergers. **END**

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## COLEMAN

*continued from page 43*

scorn any fancy name for it, the place in reality is a completely private retreat. He goes there week-ends when he is in Detroit to "re-charge" by working with his hands to relax his body and reading in the evenings to relax his mind. Even his trusted public relations director, Edward (Ted) Littlejohn, does not know the unlisted number of the telephone which Mr. Coleman has installed for emergencies—but rarely uses—at the farm.

His father's hardware business imbued Mr. Coleman with a liking for machinery.

"I have ten acres of ground and 11 acres of machinery to work it with!" he often jests.

His mother, Nellie Strider Coleman, was an avid reader, and from her he inherited his love of books.

"I even played around with Goethe when I was a boy," he recalls.

Before coming to Charles Town, Mr. Coleman's father had worked in the West Virginia coal fields. This was in what Mr. Coleman somberly calls "the unenlightened era."

"I'll never forget my father's stories," he says. "If I am known today as an industrialist who believes in the humanities, it probably stems from the things my father told me."

Mr. Coleman's father died in 1911. The family remained in Charles Town for several years, during which John worked at various jobs. In the fall of 1916, young Coleman went to Washington, D.C., and took a job as a candy maker with Huyler's—"\$9 a week and all the candy I could eat, which I didn't eat for long!"

Soon after, through influence of a Charles Town banker, he was selected for an apprenticeship in the bond department of the Guaranty Trust Company in New York City.

"It was a dubious honor," he recalls. "It didn't pay anything—not even board—and mother had to support me."

In the fall of 1917, he enlisted in the Army, was given ordnance technical training and, in six weeks, found himself headed overseas. He drew the ticklish job of chauffeuring truck loads of artillery fuses, loaded with highly explosive fulminate of mercury, to the forward areas of the Toul sector in France.

"In my youthful innocence, I thought it was a pretty fine job as I got to see a lot of France," he recalls. "Never was struck by enemy shells once—or I wouldn't be here



to tell about it—but once I had a real wild collision with another truck. Luckily, we didn't blow up!"

Sergeant Coleman served until after the end of the war and returned to the United States in June, 1919. Meanwhile, with his two younger brothers in a boarding school, his mother had moved to Washington, where her brother was a municipal court judge. To support herself, she rented rooms. One of her lodgers was a young woman from Cedar Rapids, Miss Elsie Hudson, who had come to Washington as secretary for an Iowa congressman. In January, 1921, she became Mrs. Coleman.

They have one son John, a Detroit advertising executive.

Meanwhile, the ambitious young veteran was doing a number of things to advance his career. He took a night course in accounting at the Washington Y.M.C.A., which enabled him to hold down a job in the payroll computation department of the Federal Board of Vocational Guidance, a pre-Veterans Administration service organization for ex-soldiers. Soon he was taking more night courses at Emerson Institute to qualify himself for the study of law at Georgetown University. After three years of night study, he was awarded his Bachelor of Law degree in 1924. A classmate, John A. Reilly, now a Washington bank president, remembers him as "a very quiet type and a terrific worker." Says Mr. Reilly: "I recall no social activities. John was completely absorbed in his studies and his job." The Georgetown yearbook noted that "no student spent as much time in the library as [Coleman] . . . for to him work was not only a pleasure—he loved it."

While working for the Government, young Coleman was visited by the late E. L. Huffman, then Burroughs' Washington branch manager, who wanted to sell him a book-keeping machine. Mr. Huffman was so impressed by the young veteran that, instead of selling him the machine, he sold him on the idea of leaving the Government and going to work for Burroughs as a salesman and accountant. Mr. Coleman says

he was terrified at the prospect of becoming a salesman, but took the job anyhow. He found that his method of low pressure salesmanship was particularly well adapted to the Washington governmental market. While finishing his law studies—he still intended to be an attorney—he moved up steadily in the Washington branch.

After graduation, Mr. Coleman went immediately to Texas, where he had an opportunity to join a law firm, and was admitted to the bar. He also toyed with the idea of accepting a job offered him in the legal department of the Van Sweringen railroad empire. But simultaneously there came an urgent plea from Burroughs' Manager Huffman to return to Washington to make a presentation for the company on an important Government contract. Coleman made the presentation, which resulted in a \$1,000,000 order.

"In those days, that was a lot of money!" he recalls.

He never got a chance after that to hang up his law shingle. He was promptly put in charge of the branch's governmental sales department. A few years later, he was manager for the entire Eastern division, stretching from New York down to the Panama Canal Zone.

With the coming of World War II, Mr. Coleman's responsibilities became enormously increased. Until then, the company, as indicated by its then corporate name, Burroughs Adding Machine Co., was largely in the business of manufacturing adding machines and other mechanical adjuncts to bookkeeping. The Government gave it the additional—and highly crucial—job of producing Norden bombsights. At the time, Burroughs was having management difficulties and, in 1943, the company's 80-year-old production head, A. J. Doughty, moved in as president. Mr. Coleman, by this time promoted to assistant to the vice president for war matériel production, was called to Detroit as executive assistant to the president. Within a year, he was elected vice president and director, and, in 1946, he became president—the fourth in the history of the 70-year corporation.

Like many other American industries, Burroughs did an outstanding, effective war-time job, and wound up with a completely new look. (Mr. Coleman, who had been responsible for a good deal of it, wound up with an ulcer and other souvenirs of the physical strain of the war years.)

The company never went back to the old regime of office machines only. Today, old line products—and these are hardly recognizable as descendants of the prewar machines



—account for only 60 per cent of its business. Mr. Coleman established a dynamic research department, and the corporation has moved extensively into the electronics, electromechanical and magnetic fields. Among other products, it creates electronic brains of both the giant variety utilized by huge scientific organizations and the memory machine computers designed for smaller plants and offices. It also produces many secret items for the armed forces, including special computer equipment used in the Air Force's so-called "SAGE" warning system, designed to protect continental United States from enemy bomber or missile attack.

As an indication of its diversification, Burroughs, in 1953, dropped the "Adding Machine" from its corporate title and became simply the Burroughs Corporation. In the ten years of Mr. Coleman's presidency, the corporation has expanded from four manufacturing operations, 15 marketing subsidiaries and 8,500 employees to 30 plants, operating in six countries; 26 marketing and subsidiary companies in 27 nations; 223 company-owned world-wide marketing outlets; 47 full-line dealers in 60 countries; more than 3,000 retail dealers, and nearly 29,000 employees. Its international business alone now equals total prewar revenues and, in the past fiscal year, its total revenues reached a record-breaking \$218,592,481.

Mr. Coleman always has favored international trade with as few restrictions as possible. As president of Burroughs, he took steps to convert his theories into realities by expanding the company's overseas manufacturing and marketing operations. One of his most dramatic moves was the transfer of an entire plant for the manufacture of calculators from Detroit to Strathleven, Scotland. Burroughs' entire production of this particular line now is conducted in Scotland. Not only did it create employment in a hard-hit area of Scotland but the move was accomplished without loss of a single job in Detroit, as the employees were absorbed elsewhere in the system. The beauty of it from Burroughs' standpoint is that the corporation now can sell calculators to countries which have sterling to spare but no dollars—a "perfect, all-round illustration," Mr. Coleman points out, of his theory that world trade is beneficial—both ways.

He has traveled widely throughout the world on both corporation business and as a representative of international trade committees. His "untiring efforts . . . toward the development of commercial relations



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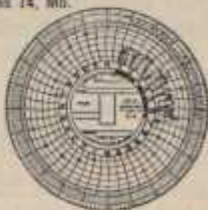
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between the United States and France" won him the French Legion of Honor.

As president of the corporation, Mr. Coleman became more and more active in public and business organizations. Among other posts, he has served as chairman of the Federal Reserve Bank of Chicago, the Committee for a National Trade Policy, and the Foreign Commerce Committee of the U. S. Chamber; as president of the Employers Association of Detroit and the Detroit Board of Commerce; as a director of the U. S. Chamber and the Council for International Progress in Management; as trustee of the Committee for Economic Development, the U. S. Council of the International Chamber of Commerce, and the Power Reactor Development Company; as a member of the National Industrial Conference Board, the Michigan State Economic Development Commission, the Advisory Board of the U. S. Postoffice Department, the Council on Foreign Relations, and the Employer Committee of President Eisenhower's Committee on Employment of the Physically Handicapped; also, as a director of numerous business corporations and a director or member of various civic enterprises. He has received honorary degrees from several universities.

He is highly regarded by city officials and business colleagues in Detroit. President George Romney of American Motors Corp., calls attention to Mr. Coleman's ability to bring dissident forces together harmoniously. Mayor Albert E. Cobo regards him as "an outstanding citizen—one of the motivating factors in Detroit civic life." Walker L. Cislser, president of Detroit Edison Company, adds that "you could say he is an outstanding citizen of the world; his concept of the responsibilities of business and industry to government and to better international relations are of a very high order, indeed."

Much in demand as a speaker, Mr. Coleman has been able to travel without detriment to his business, largely because he has reorganized Burroughs as a highly decentralized operation. "Mr. Coleman has a complete grasp of delegation of authority and responsibility, and he has built a real executive team, with a man behind every key official," says Ray R. Eppert, executive vice president. "He recognizes that the day is long since past when you can have a one-man operation and continue to grow."

In Washington, Mr. Coleman and his family led a quiet, unpretentious

life. He shunned the capital's busy cocktail party circuit.

In Detroit, he lives equally modestly. He and Mrs. Coleman live in an apartment hotel, where his son, John Hudson Coleman, has an adjoining bachelor apartment. Mary Nelson Coleman, a daughter of his late brother, Nelson, lives with Mr. and Mrs. Coleman. He has many warm friends in the business world, but he does not seek companions for his week-ends at the farm or his occasional fishing trips.

Mr. Coleman has become an avid collector of "horse brass" (harness fittings), which he feels is another nostalgic link to his boyhood memories of his father's hardware store. He also collects handmade hunting guns and antique pistols. His longtime secretary, Miss Margaret Niemi, says: "I've made so many trips to police headquarters to register his pistols that the police are beginning to look oddly at me!"

Miss Niemi, by the way, got her start with Burroughs as a worker in the factory, and Mr. Coleman characteristically chose her as a liaison between himself and the factory workers to break down a remoteness that admittedly had existed between the shops and the former management.

"Anybody can see the boss now, through Margaret," they say at Burroughs.

Mr. Coleman is a quiet, patient man, who, when provoked, is likely to become ominously silent rather than stormy. He is far from humorless. Under the glass top of the desk in his office is a cartoon, ripped from a magazine, poking raucous fun at the supersalesman type.

When Mr. Coleman bought his farm as a place where he could carry out his doctor's orders to "do something with your hands," the only central structure on the premises was a concrete barn. Almost singlehanded, he has converted the barn into a combination lodge and workshop.

"I built a fake silo out of aluminum that houses my tools," he relates. "A fake corn crib is my garage. The three tractors and all their accessories are in a basement under the barn. My woodworking power tools are on the ground floor, and the loft has been made into one large room where I live."

On the farm, Mr. Coleman has gone successively through various brush-clearing and crop-planting operations. Now he is putting in grass. He raised chickens for a while, but disposed of them. He also got rid of a Tennessee walking horse.

"I liked the animal," he says, "but I couldn't exercise him enough

to let him work off his natural vitality, and he was always stepping on me, throwing me or nipping me."

Now he has a young beagle hound named Brewster, an admirable and tractable companion.

Mr. Coleman disposes of the notion that he lives like a hermit on the farm because he never invites any of his city friends to come out. When he feels the need for companionship, he visits with his neighbors—farmers, carpenters and filling station attendants.

"I learn a lot from them," he says. "They are wonderful people."

There always are piles of books at the farm, the office, his apartment and in the private plane in which he travels. Except for fiction—whodunits are his principal fancy in fiction—he "reads across the board." Currently, he is reading Hoffer's "The True Believer" and the Brookings Institution's study, "An Introduction to Economic Reasoning." He also is working on "Navigation and Nautical Astronomy" as an aid to his new hobby of celestial navigation; this tome proved so weighty that, to understand it, he sent for a volume on trigonometry as a refresher. He has just finished Dean Acheson's "A Democrat Looks at His Party," which he is gravely recommending to "a number of my Republican friends."

As an executive who believes in giving credit where it is due, Mr. Coleman shows remarkable candor about his operations. In 1953, he was presiding at the important organizational meeting in New York City of the Committee for a National Trade Policy. Before making his preliminary remarks, Mr. Coleman held up the manuscript of his speech and then introduced his public relations director, Australian-born Ted Littlejohn, a graduate of both the London School of Economics and the Harvard Graduate School of Arts and Sciences.

Mr. Coleman and Ted Littlejohn work closely together on the executive's major speeches. They first met during the war when Littlejohn, then in his 20's, was in Washington with the Australian Purchasing Mission and had the assignment of getting a better discount on accounting machines out of Burroughs. Mr. Coleman liked him, remembered him and brought him into the company after the war. In preparing talks, Mr. Coleman bones up on the areas he wants to cover, then blocks out the speech orally with the nimble-minded young economist. Littlejohn prepares a first draft, and together they whip it into final form.

Mr. Coleman's speeches are not



stereotyped, and he does not hesitate to advance ideas with which all business may not be in accord.

Rapping those who, by painting word pictures of "Fortress America," seek to "lull us into a false and impossible security," Mr. Coleman asks: "What fortress is strong enough against the atomic bomb and intercontinental missiles—not to mention the combined numbers of two thirds of the human race? . . . We are dependent . . . and the repetition of the word 'fortress' by protectionists and isolationists will not change these inescapable facts."

Again, he will ask an audience: "Would anyone in his senses propose that we abandon 1,800,000,000 people to Mr. Khrushchev?"

Discussing invasions of liberties, he will refer to the "cold civil war" that has been waged in the newspapers and before the TV cameras over the past few years. To some citizens who "do not hesitate to cry treason" against all who disagree with them, the "American way is something monolithic, orthodox, unchanging . . ." But, to him, America is a land "not of orthodoxy . . . [but] of experiment, of boldness, of pioneering, of change, of reform."

He despises conspirators and those who seek to hide behind the Fifth Amendment, but, at the same time, expresses concern as to whether "we have tended to go beyond the point of legitimate protection of our democratic society against dangerous and proximate conspiracy."

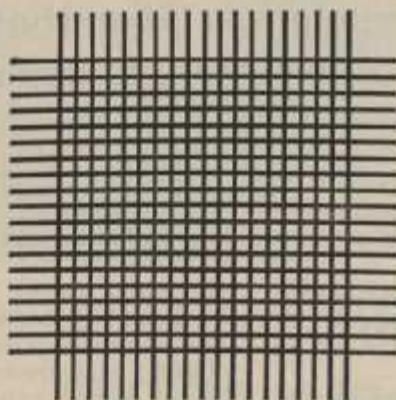
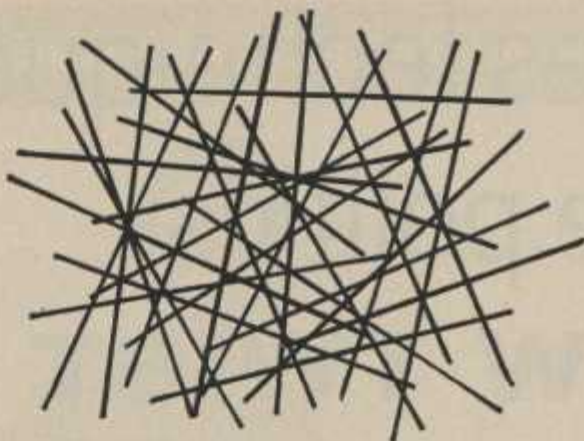
"I stand for the fullest possible freedom of expression, with all the risks, all the irritations, all the dangers it may bring," he says. "Clearly, such a condition only a brave society will deserve and obtain . . ."

On his favorite topic—the responsibilities of businessmen toward government and politics—he tells business and civic groups that fulfillment of these responsibilities "means the active participation [of businessmen] in the councils of both parties."

Finally—and these ideas will be repeated many times by Mr. Coleman during his coming administration as president of the United States Chamber of Commerce—he likes to leave his audience with a particular morsel as food for thought. No longer, he points out, is the business world "merely in business"; it is a vital part of the world at large, which is undergoing a reshaping of society—all pegged on questions of peace or war.

"I fear," Mr. Coleman says, "that those who insist on minding their own business will soon find they have very little left to mind."

—SIDNEY SHALLETT



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# Sales techniques give politics NEW TWIST

► **An estimated \$30,000,000 will be spent on election campaigns in '56 and both parties plan practical business sales methods**

THE COMING campaign promises a new twist to politics.

Both parties will merchandise their candidates and issues by the same methods that business has developed to sell goods.

These include scientific selection of appeals; planned repetition, and bringing candidates into the intimacy of the home regularly via radio and TV.

If the practitioners of the new art of political merchandising have their way, no flag-waving faithful will parade the streets. Instead, corps of volunteers will ring doorbells and telephones to give voters informa-

tion on key issues. Radio spot announcements and newspaper ads will repeat phrases with a planned intensity. Billboards will push slogans of proven power. The manner of the campaigner himself will change from the give 'em hell technique to one of quiet reassurance.

The reason why politics is adopting the modern sales campaign is practical. This fall, candidates, parties, and citizens' committees will spend upward of \$30,000,000, according to some estimates. Estimates of total election year spending run as high as \$80,000,000. As one politician remarked, "That's too much hay to throw away on guessing games."

A pioneer political merchandiser (he has practiced the art for more than ten years), L. Richard Guylay, public relations director for the Republican National Committee, says, "Scientific methods take the guesswork out of politics, and save a lot of wasted time and effort. We will, as always, depend on the superb intuition of the natural political leader, like Jim Farley and Len Hall who, also, is a great supporter of modern techniques. Polls, analyses of voter behavior, and scientific use of media sharpen the focus, improve our time and cut down the issues to the most important."

The studies Mr. Guylay refers to are surprising some of the shrewdest politicians. They explode many an old saw and show that the voter is as practical as a corporation stockholder. He votes for what he

thinks will give him the best dollars and cents return. Today, two issues lie close to the surface, fear of an atomic war, and fear of bad times. Another sidelight is that the U. S. citizen is drawn by a negative appeal when he goes to the polls, rather than the positive pull like that which brings him to the store. A slogan, "Throw the Rascals Out," has much more political power than, "Elect Honest Men."

Such studies and the men behind them in political headquarters are examples of how the times have changed. Mr. Guylay and his opposite in the Democratic National Committee, Dr. Paul G. Willis, assistant to the chairman, have not the remotest resemblance to the leather-lunged, cigar chewing, hand pumping politician immortalized in American folklore.

Mr. Guylay is a crewcut, well tailored New York public relations engineer who has shaped political appeals for ten senatorial and congressional candidates. He helped the late Sen. Robert A. Taft in his victory in Ohio in 1950. Mr. Guylay recommended the humanizing treatment that took the senator into towns and villages in his dusty old model Plymouth.

In the old days, Mr. Guylay's job, public relations director, was turned over to a friendly newspaper correspondent who knew the first names and idiosyncrasies of the reporters in Washington and on the campaign train. Mr. Guylay is a graduate of the New York press, but he soon went into public relations and specialized in politics.

The scope of his activities indicates the reliance the G.O.P. puts in his merchandising. Under him are research, including the studies

PHOTOS BY PHILLIPS-BLACK STAR



**DEMOCRATS** get expert analysis from Paul G. Willis, Ph.D., political science professor, who studies polls, surveys, election returns for clues to public mind



**REPUBLICANS** depend on merchandiser L. Richard Guylay, who says "Scientific methods take guesswork out of politics... save a lot of wasted time and effort."



on voter behavior, speakers' bureau, news, party publications, radio, TV, film, press service and advertising.

At the Democratic committee, Dr. Willis is a scholarly Ph.D. and professor of political science on leave from Indiana University, where his specialty is political parties. His main chore is analyzing polls, studies and election returns for clues to the public mind. Dr. Willis is the author of a singularly objective treatise, "A Preface to 1956," which compares the issues and political shifts of this decade, and shows how the parties line up at this moment waiting for the gun. It is not, however, a light bit of reading that a precinct captain would pick up between pool games.

The political merchandisers speak of polls respectfully as "the number one intelligence." Not only do both national committees conduct regular opinion samplings, but a surprising number of senators, congressmen and governors check their constituents this way. For example, Senator Thomas E. Martin, of Iowa, has been polling his constituents once a year for eight years. His techniques were suggested by an old friend, George Gallup, also an Iowan. When he was a congressman, Mr. Martin sent his questionnaire to every fifth householder. Now, with the whole state to cover, it goes to every twentieth householder. This year's poll, with 36 questions, was keyed to the farm issue.

In the old days, instead of polls, the Administration in power would send lieutenants throughout the country to make soundings. In the early New Deal, George E. Allen, today a leading corporation director and close friend of President Eisenhower, donned shabby clothes and talked to farmers, cab drivers and waitresses. In 1936, he covered 25 states and came back to report accurately that FDR would carry all states except Maine and Vermont.

Today, his labors would be replaced by a survey in depth which might cost upward of \$25,000 and reveal the voter with all the pitiless detail of a business market survey. Within recent weeks, the Republican National Committee ordered a long confidential poll, "Midwestern Farmers Evaluate the Administration," taken by professionals. The questioners not only asked farm families their views on the Benson program, but dug up other factors which would offset irritation at low farm prices. This poll convinced many in the G.O.P. high command that peace was still considered the

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The Democrats do not lean as heavily on polls. This probably reflects Harry Truman's derision on election night 1948 after most polls predicted his defeat. Dr. Willis studies the polls by Dr. Gallup, newspapers, magazines and such research centers as the University of Michigan, but he believes the best polls of all are election returns. The trick is knowing how to analyze them. He has studied with all the thoroughness of a laboratory scientist the returns from '52, '53, '54, and the municipal elections of '55.

Yet Democrats did ask some 5,000 local party faithful to list the ten most important issues in their areas. The returns showed interesting differences between the sexes, and between areas. Women, for example, were indifferent to monopoly, but sensitive to questions on presidential leadership.

Studies of voter behavior are as important as polls because they have cleared out many old superstitions. They indicate, for instance:

► **Union members do not follow their leaders and spokesmen.**

John L. Lewis runs one of the most compact and loyal unions in the business, yet West Virginia miners did not follow him when he split with FDR and backed Willkie in 1940. Again, in 1946, the United Mine Workers leadership opposed the late Democratic Sen. Harley Kilgore, of West Virginia, but he was re-elected with rank and file miner votes.

Heavy official labor support was given Adlai Stevenson in 1952, but labor voters by the hundreds of thousands deserted the Democrats, many for the first time. A post-election study by a labor organization in two areas, Chicago and New England, was revealing. In Chicago, women and younger laborites voted for Eisenhower on the peace issue; in New England, Catholic members voted Republican on the anticommunist appeal.

► **Voters do not hang together in nationality or language blocs.**

Former Sen. Homer Ferguson studied election returns precinct by precinct in Detroit where his forces

had spent much money on the foreign language press and in appeals to blocs. The survey showed the voters cast their ballots by economic gradations. Laborers and factory hands, by and large, voted Democrat regardless of race or nationality. Foremen who owned their own homes voted Republican.

► **Any Administration may be thrown out in good times.**

Nine times administrations in power have been defeated, without economics as a major factor. The country was enjoying good times when President Eisenhower defeated the incumbent Democratic Party by the largest vote on record.

► **Corruption is not a major factor in influencing voters nationally.**

It seems to have little effect; at best, it keeps independent voters at home. In three national elections, the opposition tried vainly to exploit corruption. They were the scandals of the Grant Administration, the Teapot Dome revelations when Harding was in the White House, and the mink-coat episodes before Truman's 1948 victory.

The voter is influenced by threats, real or imagined, to his pocketbook or peace. The University of Michigan Survey Research Center found of 1952, "The Korean war, loss of China to the communists, Soviet threats to Europe, and general frustrations of the period of the cold war, moved the American electorate in a way unknown in 1948."

Among the things which do influence elections are these:

► **The economic factor:**

Seven times it has defeated administrations in power, beginning with the overthrow of Federalist John Adams in 1800. George Washington had chosen Adams as his successor. Yet, Jefferson put together a revolt of small farmers, eastern laborers, western frontiersmen and southern planters against what he called an "aristocracy of wealth" centered in eastern banks. Andrew Jackson used this same attack and combination to defeat John Quincy Adams 32 years later; Grover Cleveland used it again in 1892. The panic and depression of 1837-40 brought a Whig landslide against Democrat Van Buren. Cleveland failed of re-election due to fears that his monetary policies

might bring on a depression. The same fears helped McKinley beat Bryan in 1896. The collapse of 1929 brought victory for Franklin D. Roosevelt in 1932.

► **Party divisions:**

Issues involving treatment of Negroes in the South have created four big schisms. In 1833, when abolitionists broke off from the Whigs and formed their Liberty Party, Clay was defeated. Eight years later, the Whig Party was defeated by a disagreement on abolition.

In 1860, Democrats were the victims. They split into Soft Shell and Hard Shell wings over slavery, and this elected Abraham Lincoln. Almost a century later, Dixiecrats angrily stamped out of the Democratic Party at the Philadelphia convention. A residue of this movement led to an amazingly high vote for Eisenhower through the South.

In 1884, a "Mugwump" revolt within the G.O.P. of reformers and intellectuals put Cleveland in the White House, just as in 1912 Teddy Roosevelt's Progressive Party assured the election of Wilson.

► **The appeal of popular military heroes:**

Among them Andrew Jackson, Zachary Taylor, U. S. Grant and Dwight Eisenhower.

► **Unpopular wars:**

Such as the early Mexican War and the Korean war.

► **A desire to return to a more normal and less demanding world:**

The clearest example of this was Harding's victory by one of the greatest popular majorities in history. (He won 16,152,200 to 9,147,353.) The people were tired of war, arguments over the League of Nations, strikes, fears, communism and socialism. Harding caught the mood when he said, "America's present need is not heroics, but healing; not nostrums but normalcy, not revolutions but restoration, not agitation but adjustment, not surgery but serenity, not the dramatic but the dispassionate, not experiment but equipoise, not submergence in internationality but sustinment in triumphant nationality."

These studies pinpoint what is on the elusive voter's mind, but advertising techniques are needed to shape and focus the appeal. The Republican Committee has Batten, Barton,



Durstine & Osborn for general operations, and Leo Burnett Company, Inc., a Chicago agency, for former appeals. The Democratic committee used the Joseph Katz Company of Baltimore in the 1952 campaign.

The role of the agency in politics is like its role in selling a new product. The executive officers of a corporation and its board of directors decide on the product after studies of the market, plant capacities, cost and proposals from its scientists and engineers. Similarly, national political conventions select candidates and, by the platforms, the general approach.

The advertising counsel sits down with the politicians to narrow the issues to the three or four most appealing, helps pick out the slogans, sets the timing, and decides on the most effective media. At least for the G.O.P., which has its campaign plans well advanced, the agency will buy time on radio and TV, produce spot announcements, design and buy billboards, and produce TV shows. In addition, the White House has its own special producer in Robert Montgomery.

Television has added a new factor to politics. The candidate can no longer be satisfied with a rich voice and good diction; he must be able to look "sincerely" at the TV camera, and have an appealing appearance.

TV's impact is shown by some studies for the Republican Committee. At the national conventions in 1952, some 17,500,000 sets were in use, with a peak audience of 50,000,000 at one point of the G.O.P. convention. This August, America will have 40,000,000 sets, and the peak audience may go as high as 90,000,000. An election can be won or lost at the convention.

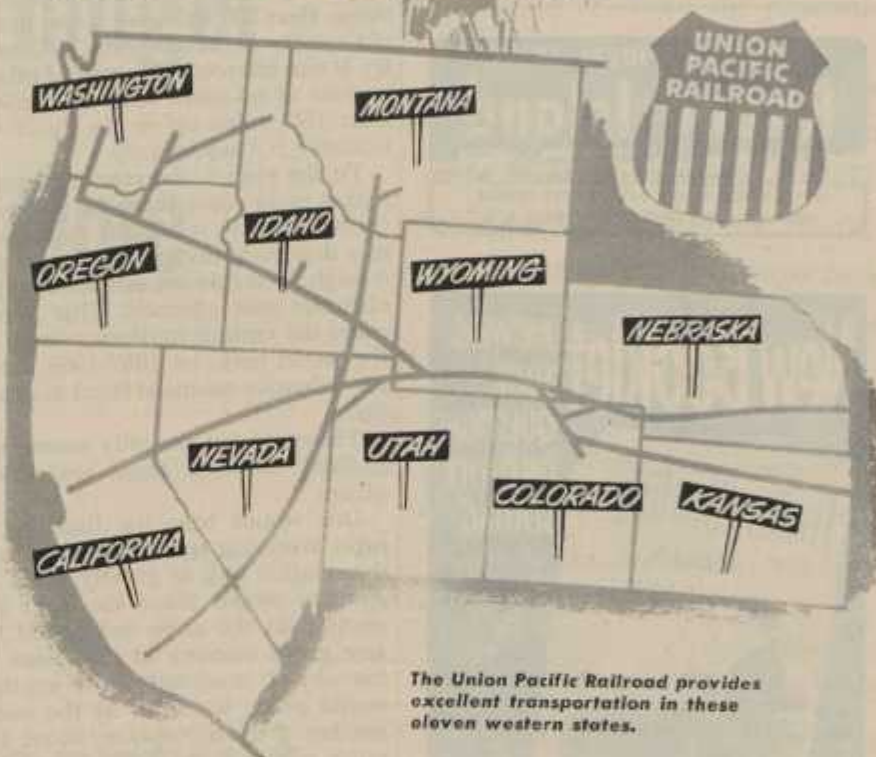
With this kind of an audience watching, the modern presidential candidate can imitate William McKinley and sit on his front porch, instead of stumping the country. This means a lot more work for the speech writers, because every time before the camera means a new speech. On tour, a candidate can use the same speech over and over.

No one can foresee the final effect of this transformation in politics. But it is clear that more and more the whistle stop tours and emotion-packed rallies will be replaced by businesslike methods suggested by polls and surveys.

One veteran political figure said, "This modern merchandising could get to be a Frankenstein. No one would dare think up a new idea because it hadn't been on a poll yet."

Or, of course, this could be sour grapes.—TRIS COFFIN.

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## OUTER SPACE

continued from page 41

Not everybody thinks so. Among space-conscious Anglo-American lawyers a sharp split has already occurred on the extent of sovereignty into the ether.

Many feel that sovereignty extends to the limits of effective control. In other words, the sovereignty of any given country, according to the control theory, extends as far as that nation is able to govern events occurring over it.

If Country A can intercept and destroy the missiles or craft of Country B at a maximum altitude of 200 miles, then 200 miles up is the limit of Country A's sovereignty. If Country B can intercept the craft of other nations at no more than 150 miles, then 150 miles up is the limit of Country B's sovereignty.

To the realist, the control theory makes more sense than the airspace theory, and if it should eventuate as a dominant doctrine in space law it might well rule out satellites at the altitudes now planned. This is because the various military powers of the world may, by 1957-1958, have the defensive means at hand to reach them.

These are not the only sovereignty-limit theories; there are many others.

One would base the limit on a ratio involving spacecraft mass and the relative pull of gravity upon it. Another would place the limit according to the angle subtended by any given country at the point of the object overhead. Still another would place the limit at the outer reaches of the ionosphere, about 150 miles, which is the limit of ordinary types of radio control.

Each theory advanced thus far has its drawbacks, and this is true of the airspace and control doctrines as well as those with far less backing.

The trouble with the airspace theory is that it lacks realism. Sovereigns today still do about as they wish; they control what they can control, except in cases where they enter into contractual agreement with other nations for joint control, mutual privilege, etc. In short, the airspace theory fails to allow for the fact that space law, like international law, is likely to develop according to the relative power of nations rather than through master-planning.

The trouble with the control theory is that it limits sovereignty only according to power. Nations with the capability to do so could blast from the skies any satellite passing overhead, regardless of the purpose of the satellite. Conversely, other

nations could do nothing at all about spacecraft or objects crossing over them.

As a matter of law, the control doctrine, which has the apparent approval of Mr. Cooper, seems to spring from the firmer base.

Control, to a practical degree, of the space above land by those owning the land is a legal precept that goes back to the early Roman days. It was written into the early codes of Justinian. Later it was adopted and greatly overextended in England by such jurists as Coke, and Blackstone. It was 16th Century Britain which developed the rule of *cujus est solum*—"who owns the soil, owns up to the sky." This rule found its way to America as part of the common law but died a sudden death when the age of flight made obsolete all notions of indefinite private ownership in space.

With regard to national ownership, or sovereignty, into space, this, too, was recognized from the earliest times. Moreover, from the vantage point of international law, it has long been recognized that certain areas of the world should be controlled by no one. Even before the time of Justinian in the Sixth Century, Marcian left no doubt that he



meant the air as well as the sea when he ruled that "some things are by natural law common to all, some belong to a community, some to nobody."

This was the first pronouncement of a principle which eventually evolved into what we call the freedom of the seas.

It is presumed that the freedom of the seas, or high seas, doctrine will prevail beyond whatever limit finally becomes defined as the outer edge of national sovereignty into space.

But it would be erroneous to think that territorial rights into space will be settled as easily as the traditional three-mile-limit of the oceans. That limit was, in fact, developed on a simple control basis and was fixed by the maximum range of shore-based artillery batteries during the 1700's.

The problems of space are considerably more complicated than those connected with the high seas. The military threat of satellites, for



instance, may be enormously greater than that of sea-going craft.

Proof of the differing severity of the two problems shows up readily in the state of the law regarding rights of innocent passage.

Innocent passage, in international law, is a doctrine which protects ships which have strayed or been blown into territorial waters of nations where they did not intend to go. In effect, it permits such vessels to resume their business without interference or liability.

In 1919 at the Paris Convention on Regulation of Aerial Navigation, the innocent passage doctrine was extended to aircraft. However, in subsequent years the right was so hedged with exceptions that it has become virtually useless. The plain fact was that all nations felt nervous about foreign aircraft going overhead without permission. World War II, with its great emphasis on bombing, dispelled what was left of the idea.

By 1944, when the Chicago Convention on International Civil Aviation took place, nobody tried seriously to incorporate rights of innocent passage into that treaty.

In brief, the innocent passage rule simply does not exist on a world scale so far as aircraft are concerned. The many off-course planes shot down and the numerous diplomatic protests filed during the East-West cold war of the past decade bear eloquent testimony that this is so.

There seems little reason to believe that people are going to be any more generous in their attitude toward relatively nearby satellites than they are toward aircraft. At least not for long.

As with most new legal problems, the reasons behind current theories of third dimensional sovereignty vary widely. But logic suggests that while the United States may get by for the present on the airspace theory, if it tries to, this will not suffice indefinitely. Too many things can be done via satellites at a range of no more than 200 miles.

Hence the rapidly developing need for some international determination and general agreement on the extent of territorial rights into the sky.

A few years ago nobody cared.

As recently as 1946 the U. S. Supreme Court spoke lightly of the old maxims which considered ownership rights in space to extend "to the periphery of the universe." It was an easy phrase to toss off then. But in ten years we have reached the point where the world must soon decide just where the periphery of the universe does, indeed, begin.

—PHILIP B. YEAGER

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To keep pace with the country's expansion since World War II, cities are reaching out with pipelines, building dams and reservoirs and probing the earth as never before. Ohio is drilling 2,000 wells a month.

Baltimore has just completed a new reservoir holding 23,000,000,000 gallons of water. Dallas will build a reservoir costing \$20,000,000. Texas is even talking of importing water from the Mississippi River; the expansion of New York's water supply of about 500,000,000 gallons cost more than \$500,000,000. In other parts of the country, other cities are going after water by use of measures ranging from the orthodox to the unique.

Among the most unusual of these

methods are those used by Charleston, S. C. Ingredients of Charleston's water triumph include:

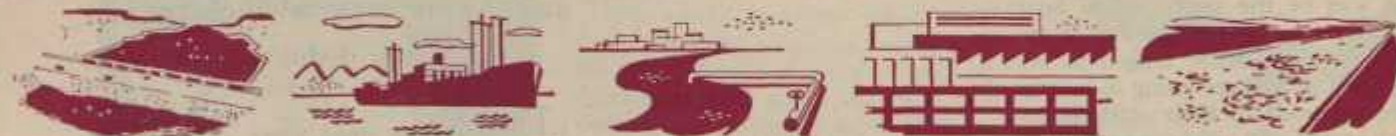
- ▶ An unusual geographic situation.
- ▶ An engineer with imagination.
- ▶ A rugged, hard-hitting Scotch mayor who gets things done.
- ▶ An eccentric, craggy-browed contractor with a big western hat.
- ▶ A fat Chesapeake Retriever.

Charleston is a proud southern city situated on a peninsula formed by the Ashley and Cooper Rivers. It is a city of contrasts. At the south end of the peninsula are old colonial houses surrounded by gardens of azaleas and camellias; spreading out to the north is a fast-growing colony of modern, diversified industry.

Charleston prospered in World War II. Its 35-foot depth harbor was re-discovered and re-equipped; it swarmed with shipping and shipyards, its Navy Yard was revived while industry was enormously expanded and population was doubled.

The city made earlier provision for its industrial potential by uniting the Cooper and Santee Rivers to form two huge lakes with more than 800,000,000 gallons capacity in a giant \$56,000,000 hydroelectric project 40 miles above Charleston. It is the 10,000,000,000-gallon-a-day

## RIVER SHUFFLE SUPPLIES FRESH WATER



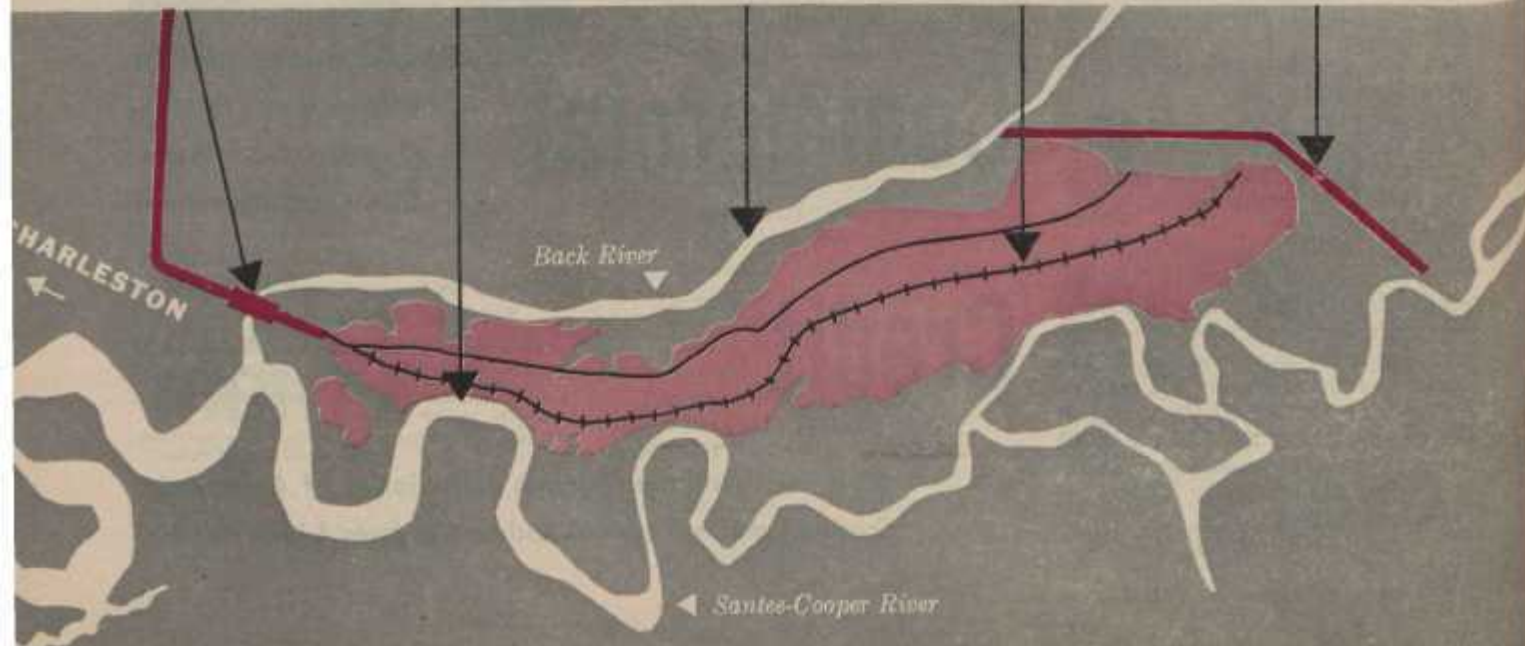
**EARTH-FILL** dam 6,000 feet long makes reservoir of Back River, holds out salt water, provides railroad, highway base

**TIDAL** Santee-Cooper River still maintains deep-water harbor for ocean-going shipping, can carry off water for disposal

**CITY** will divert about 2,500,000,000 gallons of fresh water daily. Changes will permit use of potential 10,000,000,000 gallons

**BUSHY PARK**, named after old plantation, is 4,400 acres now made available for development by re-shuffling two rivers

**CANAL** carries fresh, uncontaminated water from upstream Santee-Cooper four miles across country to Back River





tailrace canal flowing from this great reservoir that feeds the Santee-Cooper River and now brings a fresh, uncontaminated water supply to Charleston's back door.

When World War II ended, the Charleston war boom died, too. With the Navy Yard laying off workers by the thousands and wartime activities folding, Charleston faced stagnation. In the face of the crisis, 300 firms joined to form The Charleston Industrial Development Board. They brought in a solid and slow-spoken industrial engineer named Arthur Maxwell Field to improve the city's industrial picture.

In ten years, Charleston has added 100 diversified industries, raised its industrial capitalization 100 per cent and built itself up to become the largest cotton importer as well as the hub of the Southern wool industry, the leading petroleum port and the first port of call for ships from South America. Industrial payrolls have jumped from \$3,000,000 to \$30,000,000 and family incomes have risen 60 per cent.

Though Charleston was lacking in some of the natural resources Mr. Field would have liked—such as oil, salt and sulphur—it has others—a fine harbor, good truck, rail and air transportation, labor supply, a favorable tax picture and a growing market in the Southeast.

Mr. Field showed these assets to officials of U. S. Steel in 1948. U. S. Steel had developed a new source of ore in Venezuela and wanted a new plant location as near as possible to the source. Principal requirements: deep sea frontage and 400,000,000 gallons of water a day. Mr. Field immediately thought of the 10,000,000,000 gallons a day flowing down the Santee-Cooper.

Here was abundant water, except: At high tide, the ocean backed up into the Santee-Cooper and made the river water unusable.

A dam across the mouth of the Santee-Cooper to keep out salt water seemed the obvious solution. But, miles of dam and extensive ship locks would be needed. This would make the venture almost impossibly expensive.

Then, flying over the area one day, Mr. Field found the answer to Charleston's water problem.

Between the forks of the Santee-Cooper and the Back River—a marsh-bordered tidal stream that rises about two miles west of the Santee-Cooper and flows parallel with it for about seven miles before turning sharply east and joining it—is a high, 4,400 acre wooded tract known as Bushy Park, after one of the old plantations. Upstream from this tract, Mr. Field spotted a low




**DESKS**

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## BUSHY PARK *continued*

place. He realized that a shallow canal, dug for about four miles, could connect the rivers. Thus fresh water from the upper Santee-Cooper could be diverted into the Back River. A dam at the lower end of the Back River would hold out the sea water—this one not prohibitive in cost. Thus, by reshuffling a couple of rivers, Charleston could not only get a tremendous water supply but open up Bushy Park and some 10,000 acres across the Santee-Cooper from it—all of it land hitherto inaccessible. Mr. Field told county and city officials about it.

"I convinced them we had a tremendous source of water in the Santee-Cooper reservoir and that we ought to have firm plans for its development," he says.

But to make sure, the Charleston Commission of Public Works obtained a \$175,000 loan from the Federal Housing and Home Finance Agency and employed Ford, Bacon and Davis, New York engineering firm, to survey the water prospects in the area. Ford, Bacon and Davis declared the Bushy Park project entirely sound and estimated the job, including the Back River canal and dam and an eight-mile tunnel to the property across the Santee-Cooper, would cost \$5,900,000.

As the project finally crystallized, it added up to this:

The 10,000,000,000 gallons of fresh water flowing daily from the Santee-Cooper hydroelectric plant could be diverted into Back River by means of a canal. Back River could then be closed by an earth-fill dam at its lower end. This dam would serve a two-fold purpose:

First, it would serve to prevent salt water intrusion into the fresh water reservoir.

Second, it would carry a railroad spur connection between the heart of the Charleston industrial area and the Seaboard Air Line Railroad.

The dam would also serve as a highway, giving access to Bushy Park from the south. The Back River would serve as a reservoir from which Charleston would draw fresh water which it would discharge into the Santee-Cooper, the latter providing ocean frontage for ships from all over the world.

Sound as the project was, it languished till the middle of 1953. As Mayor William McG. Morrison of Charleston put it:

"Everybody was talking about Bushy Park but nobody was doing anything. We had managed to get

Berkeley County and Charleston County—the two land areas involved—to combine forces in the joint Bushy Park Authority but the financing stumped us. Nobody had the kind of money it took to get this thing off dead center."

"So there we all were scratching our heads for a cheaper way. Then one day, a character in a big western-style hat walked into my office in his shirt sleeves with a big brown dog at his heels. He introduced himself as Robert E. Lee and said he'd do our construction job for us.

I asked,

"How much?"

"He figured for a while on the back of an old envelope and came up with a number of his own.

"Six hundred and fifty thousand dollars in cash and \$2,000,000 in bonds."

"That's fine," I said, "but Mr. Lee, I don't know you from Adam."

"O.K., so look me up, then," he said.

"I made some telephone calls and found that Mr. Lee, accompanied by the dog, Major, had built roads and bridges and dams all over the United States. He claimed to be a descendant of the famous Civil War general of the same name.

According to Mr. Lee, Major is an essential member of the firm.

"He protects me from varmints and snakes when I walk through the swamps and there's a lot of work we just couldn't do without him."

Major's contribution to the Bushy Park development was to swim and test the current at critical times when the dam was building.

"I said, 'O.K., I'll tell my people about it.'"

Investigation and conferences crystallized a plan to build the project for an estimated \$4,500,000 including the cost of the land. But still nothing was moving.

At this point, Mayor Morrison took the bold step that got the whole project off dead center. He arranged for the Bushy Park Authority to authorize \$4,500,000 worth of long term bonds. He talked the Commissioners of Public Works of the City of Charleston into backing \$1,000,000 worth of the Bushy Park bonds with an issue of public works bonds which had a recognized market value. These were turned into cash.

The mayor ran into public opposition to his scheme but he laid his political future on the line and stood up for his convictions. In this he had the backing of some of the local financial leaders, among them President Hugh Lene, of the Citizens Southern Bank.

"I saw that this was an ingenious



system which would give Charleston an unlimited water supply at such low cost that it would always be able to sell water at a profit," Mr. Lene says. "The city's municipal water supply would be guaranteed from then on."

Engineer Lee agreed to accept \$650,000 of the \$1,000,000 in cash and \$2,000,000 in Bushy Park bonds, to be paid off over a period of years from the sale of land and water. For this, he agreed to build a dam across the Back River and a canal to divert the fresh water of the Santee-Cooper millrace into the headwaters of the Back River. He also agreed to build a bridge across the canal and an eight-mile road across the dam and into the Bushy Park area, connecting with a nearby highway.

Another essential cog in this low-cost financing deal was P. O. Mead, owner of the 4,400-acre Bushy Park tract, who also gave credit to help the cause. He agreed to take \$200,000 in cash and \$800,000 in Bushy Park bonds to cover the \$1,000,000 purchase cost of the land.

Mr. Mead has unlimited faith in the Bushy Park development.

"God Almighty created this situation for us," he told me, "but we had to have sense enough to see opportunity knocking at our door. I predict that this thing will bring 1,000,000 people here within the next ten years."

When Mr. Lee got to work on the dam, it was easy to see the basic reason why the Bushy Park engineering job could be done so cheaply. That reason was Cooper marl.

Marl is an earthy substance containing clay, limestone and sand. Ordinary marls disintegrate in water but when Cooper marl is exposed to air and water, the exposed surface case-hardens and becomes practically erosion-proof. Because of Cooper marl, which underlies most of the area, Charleston has been able to dig water supply conduits at incredibly low prices without the necessity of laying pipe. By the same token, water tunnels dug through the marl are expected to convey Back River water economically to any new industrial developments around Bushy Park.

Mr. Lee had to dredge the Back River anyway and he used the marl he brought up from the river bottom to build the 6,000-foot dam. In spite of this, tricky tidal conditions made the job a spectacular feat of engineering. These were described by Joseph Moore, consulting engineer for the Bushy Park Authority, who is credited by Mr. Lee with putting the project over.

"The dam closure required split-second timing," Mr. Moore says. "It had a tidal flow from the ocean which mounted into the Back River. Then the water had to get out. As you made the opening smaller, you had a high head of water with a differential of six or seven feet. The millrace flooded out the fresh material as fast as you could put it in. No dam I know of was built under such tidal conditions with the water flowing both ways."

The dam was completed at midnight Feb. 15.

So the water development which Charleston has been dreaming about for ten years, and actually planning for five, has become a reality. The dam, the canal and the bridge over the canal are finished. Fresh water is being diverted into that huge natural reservoir—the Back River. The tides are being held out—down below the marl dam. A natural effluent disposal agency, the Santee-Cooper, lies ready to carry away the wastes of the industries coming to Bushy Park. A road across Bushy Park and across the dam is under construction with a railroad spur to come.

Charleston is convinced that its big bargain—a potential 10,000,000-gallons of water a day for only \$4,500,000—is the best buy any municipality has ever made for anything of the kind. For a while, the city will divert 2,500,000,000 gallons but minor engineering developments will allow the later use of the whole.

The expansion of Charleston has already begun. U. S. Steel, which started the whole thing, went to Trenton to be nearer its markets, but the United Piece Dye Works, of Lodi, N. Y., is bringing in a \$2,000,000 plant to dye, print and finish synthetic fabrics and the West Virginia Paper and Pulp Company, already one of the Charleston area's major industries, has announced a \$56,000,000 expansion program. West Virginia came to Charleston in 1938 when the city agreed to supply it with the necessary water through new reservoirs and tunnels; this supply was later expanded to provide the 50,000,000 gallons a day which the company now uses, but it couldn't tackle the new expansion until more water was guaranteed.

"But now they're certain there's adequate water for anything they want to do," says Mr. Field.

Charleston doesn't expect the final chapters of Bushy Park to be written for five or ten years until—it hopes—industries will cover the 4,400 acres of Bushy Park proper and the 10,000-plus acreage adjacent—across the Santee-Cooper River.

—PHILIP GUSTAFSON



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## TO HELP YOU SELL

continued from page 31

However, if you are attempting to reinforce attitudes which are already leaning in your favor, the one-sided approach is better. Here, the two-sided argument may raise doubts.

One caution: If the two-sided approach is used, you must be sure to include all important negative arguments which are likely to occur to your audience. Otherwise your intentions appear suspicious and your message loses authenticity.

### 8. Refute arguments against you if you can do so convincingly.

*In discussing those arguments against you, you should attempt a refutation only if a very convincing refutation is possible. Otherwise it is better to leave the opposing argument unrefuted and follow it immediately with an undeniably positive argument in your favor.*

Failure to refute arguments convincingly on the other side is just as damaging as failure to mention such arguments if your audience is entertaining them. By following an unrefuted negative argument with a powerful positive one you are able to include it and neutralize it.

For example, if you or your organization took an action in the past which your audience is sure to consider as an error and for which you have no convincing explanation, you might mention this as an admitted error in judgment and then proceed immediately to give an example of an action of which your audience would approve overwhelmingly.

Unrefuted arguments handled in this way should be placed relatively early in your message. Highly convincing refutations are most effective when coming late.

### 9. Help discount attacks on your position by anticipating them.

*If there are weaknesses in your position which an opponent may later use in counterpropaganda against you, you must let your audience anticipate these attacks and give them a basis for discounting them.*

In other words, you must immunize your audience against counterarguments. A technique for doing this has been used both by psychological warfare operators and political campaigners. It involves not only mentioning and refuting the negative arguments, but in addition, predicting that your opponent will make these fallacious counterarguments. This steals his thunder and tends to discredit him should he make the predicted attack. It may even deter him from trying. But this technique requires you to act first on your own vulnerabilities.

Suppose you anticipate that your opponent may attempt to apply a certain unfavorable label to you, or criticize you for having taken a certain action which your audience would disapprove. You cite these arguments, counter them, and predict that your opponent will make them. When your audience hears these arguments from your opposition, it will have a basis for discounting them.

When the Nazis were losing the Normandy beachhead, they told the German people that Allied propaganda would soon use this to imply that it was the first step in Germany's loss of the war. Allied propaganda did just that but our effort was weakened because the German people could say, "We knew they would say that; it's just a lot of propaganda."

### 10. Use "opinion leaders."

*The major impact of your mes-*

## 10 STEPS TO HELP YOU SELL

- ▶ Remember that your audience will resist change.
- ▶ Shape your message to fit audience attitudes.
- ▶ Try to gratify audience needs.
- ▶ Try to clarify ambiguous situations.
- ▶ Be sure you are viewed as a credible source.
- ▶ Draw the conclusion for most audiences.
- ▶ Sometimes it's better to give both sides.
- ▶ Refute arguments against you if you can do it convincingly.
- ▶ Help discount attacks on your position by anticipating them.
- ▶ Use opinion leaders.



# your health

ment, the operation is said to have cost more than \$1,000,000.

Hardly had the serum business gotten underway when German chemists discovered the sulfa drugs and their effectiveness against all kinds of pneumonia. A lot of expensive rabbits went for stew. A few years later, however, Lederle, a division of the American Cyanamid Co., made it up by finding Aureomycin.

Processes quickly become obsolete, too. In 1949 cortisone's effectiveness against arthritis was discovered at the Mayo Clinic. Soon Merck & Co. started making the hormone by a complex process using cattle bile as a starter. The cost at first was \$200 a gram.

In three years, the Upjohn Company, of Kalamazoo, Mich., which had invested ten years of research in hormones, found a way to grow a new raw material for cortisone manufacture in vats containing bread mold. Within a few months Upjohn slashed the price of cortisone 25 per cent. The price is now \$10 a gram.

All this adds up to a short life for the average drug. It has been estimated that it takes about ten years for all practicing physicians to become aware of the full value of a compound, while in three to five years the medicine is obsolete.

The companies have to teach the doctors about their products. But doctors are busy. Many cannot keep up with advances in medicine by reading the technical journals. Others hardly ever have time to attend medical meetings. How many can keep track of the 300 new products issued by the pharmaceutical manufacturers each year or of the several thousand now available?

The ethical drug makers meet this situation with heavy postgraduate education, spending about \$1,200 a year for each of the nation's 200,000 doctors. This adds to the cost of medicine, but what doctors don't know can't benefit patients. The manufacturers advertise in journals the doctors do read, incidentally supporting scientific publishing. At conventions they erect elaborate exhibits (samples to all doctors and their spouses). They publish ornate manuals, employing the best

(Continued on page 102)

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THIS job of putting our national tax house in order is a big one. It will not be done automatically, in the course of events, by the Government, of that you can be sure.

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*To promote economy in government, to make sound tax cuts, and to devise a fair and equitable tax system* (Point No. 1 in the National Chamber's program of work) calls for organization, men working together.

It calls for research and action-getting—for studying every aspect of the federal budget, and every provision of the tax law—and coming up with pin-pointed *recommendations*.

It calls for showing the lawmakers and others why the recommendations make sense, why they are sound, and in the public interest.

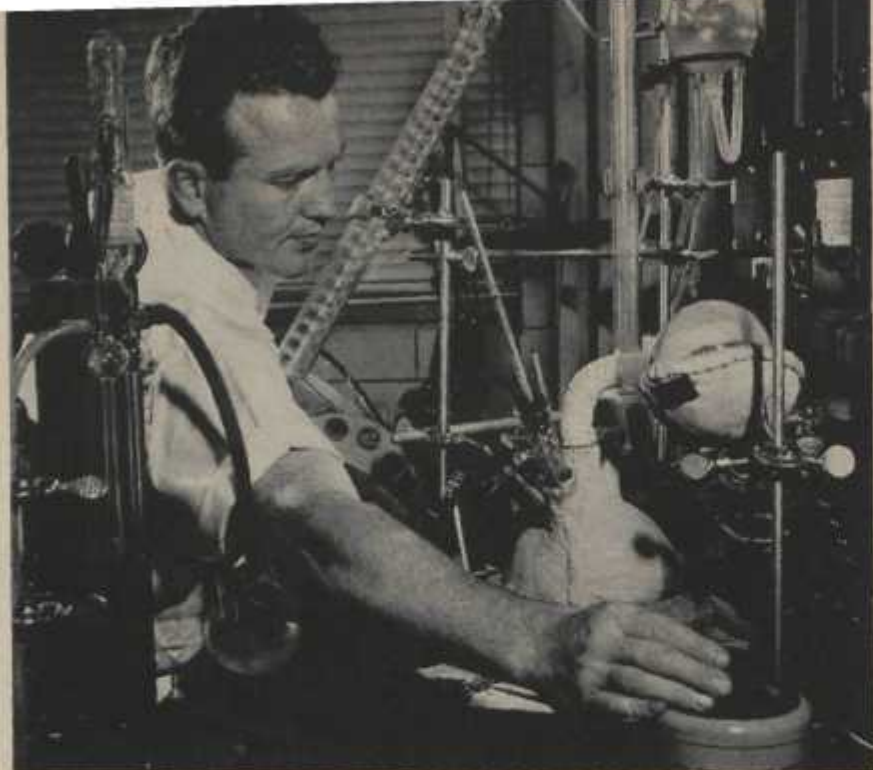
This job is being done by the National Chamber—specifically, by the Chamber's Department of Taxation and Finance, by a Committee of business leaders on Government Expenditures, by a Committee on Taxation, by a Committee on Finance, by a Committee on Government Operations, and by the Chamber's 3,200 affiliated organizations, and thousands of business members—firms and business men—in all parts of the country. For further information, write:

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- 3. Lift Living Standards**  
*Increase production, develop new markets, provide more jobs, keep the economy expanding.*
- 4. Improve Education**  
*Raise educational levels, and build a better public understanding of free enterprise.*
- 5. Build Better Cities**  
*Combat urban blight, and build better cities and communities for tomorrow.*
- 6. Strengthen Organized Business**  
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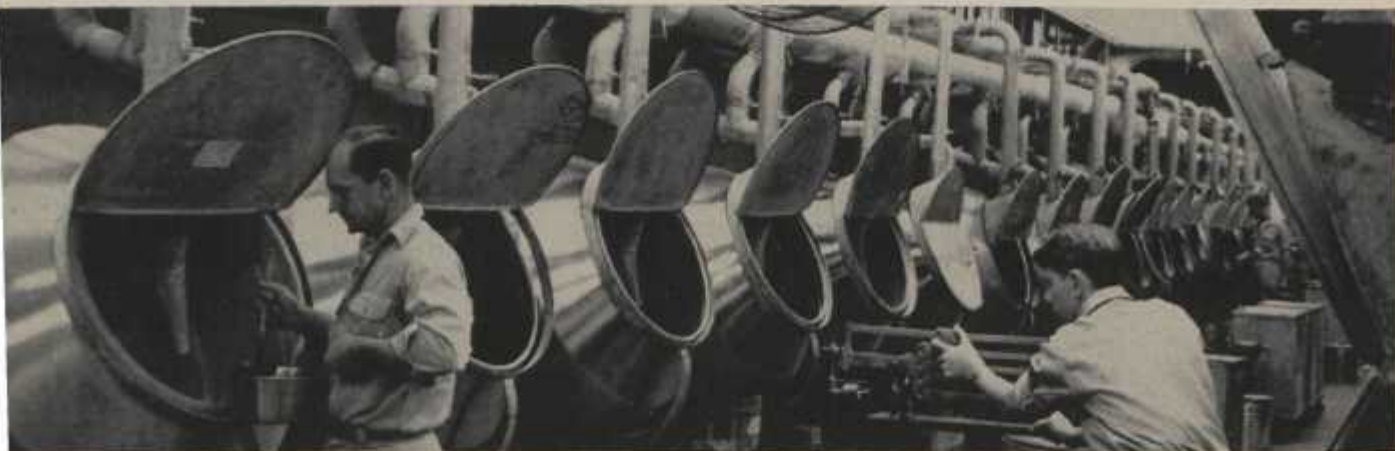


ROUTING FOR UPJOHN

## YOUR HEALTH *continued*



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**Rotary pans** where tablets are coated are in the production process at the Abbott Laboratories, North Chicago, Ill. Mass production methods used in the industry help make drugs widely available



ACTION

**23-acre** building of the Upjohn Company shows the size of some firms. Upjohn plant has 1,900 employees on 1,600 acres at Kalamazoo, Michigan



artists and writers. An avalanche of printed material descends on the physician by mail. One doctor estimated that for a one month period he received 20 mailing pieces a day from the industry. He also receives dozens of samples of all sorts of medicines. And he gets doodads including a free blood pressure gadget when he starts out in practice, appointment books, and paper weights, all graven with the company's name.

Recently Ciba, a Swiss company, started a brightly written twice-monthly newspaper of medicine. Upjohn followed suit with another paper. Pfizer publishes a weekly slick magazine as an insert in the *Journal of the American Medical Association*.

But the most important link in the promotion chain is the sales representative, commonly called the detail man. He calls on each physician in his area to give him the details on each new drug.

Employing a form of low pressure selling, the detail man describes what a particular compound will do, listing its limitations as well as its advantages. He hopes that in return for this information the doctor will prescribe his company's brand. It works.

So important is the detail man in the sales picture that half the promotion costs are spent on him. Large companies without detail organizations have absorbed smaller ones that have them.

Despite the vast sums spent for research and promotion, the cost of compounds has remained relatively low, although the Federal Trade Commission has announced it will look into the pricing of antibiotics. Penicillin now costs three tenths of a cent for 100,000 units wholesale compared with \$20 for the same dose in 1943. Cortisone is way down, too. Only certain brand prescriptions remain high.

But the cost of medical care has decreased in cases where drugs play a major role. In 1927, according to one study, the average pneumonia case cost \$385 in hospital, doctors' and nurses' fees. One out of five ended in death. Now most cases are treated at home with about \$15

worth of penicillin or \$40 worth of the brand antibiotics.

In another, curious way the new drugs have made medical practice more expensive as physicians attempt treatments they never would have touched before. The antibiotics, blood fractions, muscle relaxants have made modern heart surgery possible.

Development of two compounds—reserpine or rauwolfia and chlorpromazine—for mental patients may save this country more than \$1,000,000,000 a year in expenditures for psychiatric care before long. In addition, the isoniazids, discovered by drug firms, may, with streptomycin, make tuberculosis a rare disease in a few years. The dose cost may be high, but the savings in lives and income are higher still.

Not all the compounds marketed by the pharmaceutical houses are the discoveries of their researchers. A large fraction comes from the medical schools. But the drug houses know how to mass-produce the medicine and make it available to the population. A typical example was the Salk vaccine produced by such companies as Parke-Davis & Co., Inc., Eli Lilly & Company, Pitman-Moore, Wyeth Laboratories, and Cutter Laboratories. Another is penicillin.

However, in a recent survey of practicing physicians made by Medometrics, Inc., the pharmaceutical industry placed second only to the medical schools and universities as having done most to raise the level of the nation's health.

But the industry has been criticized for fostering too much the chemical approach to disease when there are many ailments that can be treated with physical, psychological and other therapies. Another charge is that the heavy promotion tends to make physicians overprescribe.

As for the future, the ethical drug makers see only progress and more research. They have faith that cancer will be conquered by a drug as will hardening of the arteries, both of which kill about 1,000,000 Americans each year. Somewhere there is a cure for the common cold and perhaps a series of compounds for all mental ailments.—EARL UBELL

**Important link** in drug promotion chain is the detail man who calls on each physician in his area, describes his product, lists both advantages and limitations



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# Survey shows how to reduce absenteeism

- ▶ **Second biggest year is outlook for tires**
- ▶ **Shortage boosts engineers' pay 40 per cent**
- ▶ **You can get technical hints from Europe**
- ▶ **New investment sparked by travel expectations**



Proper assignment of employees can reduce absenteeism.

Dr. Leo Wade, of the Esso Standard Oil Company, New York,

reached this conclusion after intensive study of absenteeism among 28,000 workers.

The study shows morale factors are important causes of missed work.

"A certain amount of sickness absenteeism is inevitable," Dr. Wade says.

But excessive absenteeism, he concludes, may indicate that a worker is not properly assigned or is incapable of adjustment in a job. Morale is influenced by such things as supervisor's personality, type of work, and home situations.

A recommendation based on the study is that industries re-evaluate the assignment of each worker, making sure every person is in the right job. Another finding reveals that 54.8 per cent of the one and two day absences in one plant immediately preceded or followed otherwise legitimate time off, such as holidays or week ends.

## Tubeless tires now dominate



The second biggest year in history is the outlook for the rubber industry, according to industry spokesmen queried by NATION'S

BUSINESS. The manufacturers look for over-all tire sales in 1956 to come to about 110,000,000 units, exceeded only by the past year's 113,000,000 units.

The U. S. is expected to consume about 1,465,000 long tons of rubber during the year, about 62 per cent of it man-made.

Tubeless tires, which were first introduced eight years ago, now take 60 per cent of the tire market, with the proportion increasing constantly. About 57,000,000 of them, out of 93,000,000 total, were made last

year for passenger cars alone. Tubeless tires also went on many trucks, large off-road vehicles, aircraft, and farm implements for the first time.

## Engineers get \$400 to start



U. S. industry could easily employ 35,000 new engineers this year. Yet the nation's schools will graduate only 27,500.

Faced with this shortage, an increasing number of companies are going abroad to find engineers.

William T. Cavanaugh, executive secretary of the Engineering Manpower Commission, Engineers Joint Council, says the long arm of recruitment is reaching into Canada, Great Britain, West Germany, and Australia.

Many nations, especially those of West Europe, are experiencing an economic boom akin to our own and need every engineer they can get.

Nevertheless, U. S. firms have recently carried off some surprisingly successful raids on foreign pools of engineering talent. One company, in a sweep through the continent, got commitments from 55 engineers.

Competition for the available supply of engineers has reached a fever pitch, and shows no sign of abating. It has caused the average starting pay for engineers to increase by 40 per cent in five years—with the present average standing at about \$400 a month. Other inducements, including the opportunity for further education at company expense, are being added.

## New know-how from overseas



A flood of scientific and technological know-how is beginning to flow into the United States from Western Europe, which for many years received much of its technical aid from the U. S.

One agency that is preparing to



help U. S. businessmen share in the technological progress that has characterized Western Europe's postwar recovery is the Organisation for European Economic Co-Operation.

This European organization has introduced a special English language edition of *Technical Digest*, a monthly publication of one of its subsidiary agencies.

Published in Paris, *Technical Digest* contains reports condensed from about 1,000 European technical and trade journals. The illustrated reports cover developments in such fields as ceramics, glass, chemicals, food products, electrical engineering, machine shop techniques, and packaging. Copies are available from OEEC in Washington, D. C., at 2000 P Street, N.W., for \$2.50 each.

Fifteen American companies already have full-time progress watchers in Europe. Two U. S. commercial research laboratories recently sent observer teams to study promising new industrial techniques. Special reports of their findings will be sold to interested U. S. firms.

John Green, director of the Office of Technical Services, Department of Commerce, says that his agency alone has helped to bring hundreds of U. S. and European businessmen together on licensing deals and other mutually beneficial business arrangements.

#### Travel plans spark big spending



Five big new steamships are on order, three of them slated to enter Atlantic service in 1957.

Domestic and foreign airlines have placed orders exceeding \$1,000,000,000 for long-range jets. The first of these will be ready for service in late 1959.

These expenditures for new, faster, more comfortable equipment are prompted by an expected 50 per cent increase in foreign travel by 1960.

An estimated 750,000 Americans will be bound for Europe that year, compared to 550,000 expected to go this year.

Also by then Americans will be spending \$2,000,000,000 a year for foreign travel. That's a 75 per cent increase and does not include what Americans spend at home in preparation for travel.

These predictions are based on a new American Express travel trend analysis.

Significant, the survey shows, is the soaring number of middle and lower income Americans going abroad for business and pleasure. Many are lured by cut-rate group travel, student ship charters, and pay-later plans.

## "I'm just a little guy!"

THAT WAS FUNNY because George Petrelis had been the biggest man on the squad when we played football together back in high school. And George, who owns a hardware store here in town, had kept right on growing. But what he really meant was ... "My business is too small for me to join the chamber."

THIS WAS SERIOUS because we needed all the men like George we could get. He had his heart and soul wrapped up in this community. But misunderstanding the function of the chamber wouldn't win the support of the most civic-minded man in town. Perhaps he'd see it this way ...



SO I TRIED by telling him ... "One way to make your business grow larger is to join and support the chamber of commerce. And it doesn't matter whether you're a hardware store owner or works manager in a hosiery mill. Big, middle-size or little businessman ... they all benefit from chamber activities."

GOOD EXAMPLES were all around us in community improvements, programs to attract industry, all kinds of aids to business. When he thought about it, George realized the chamber had a hand in practically everything that promotes the welfare and prosperity of the community. It wasn't hard to show him ...

IN A GROWING CITY "your own business can't help but grow along with it." And watching the customers keep his clerks hustling I guessed he wasn't such a little guy at that. He must have figured it that way too ... for today you won't find a bigger chamber member in town than George Petrelis.

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Speaking for  
your chamber of commerce



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The greatest growth of the telephone has come in recent years. There are twice as many Bell telephones now as in 1945. In the few years since the war the Bell System has grown about as much as in the whole previous 70 years of telephony.

At the same time there have been many improvements in the speed, convenience and quality of the service. We are well on our way to further progress in the days to come.

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# POLITICS SPLITS BUSINESS TO SUIT ITS ENDS

BUSINESS will play a difficult part in the coming political campaign. It is being cast both as the villain and the little Nell whom the politicians promise to rescue from a fate worse than death.

Just how business fits into this dual role must naturally puzzle those who regard our economy as an integrated system made up of component parts which supplement each other in giving us the world's highest standard of living.

This view, however much daily business transactions demonstrate its accuracy, finds little open acceptance in politics.

Political expediency demands an artificial cleavage of the economic structure into two segments: Big Business and Little Business.

The first, politicians insist, is wicked, greedy, rapacious, the natural enemy not only of Little Business but probably of all human decency.

The second is innocent, helpless, prey to frightful maladies and competitive maltreatment—a highly unrealistic view of a part of the economy which strengthens local communities, provides jobs and assures the preservation of independent thinking.

This sort of type-casting has been going on for 50 years and a few political reputations have been built on it. But never have so many people crowded into the act as now when one party tries to fasten and the other tries to escape the title, "The party of Big Business."

The President, the Justice Department, the SEC, the Federal Trade Commission, the Small Business Administration, along with a mixed bag of congressional committees and subcommittees, have involved themselves directly while the Veterans Administration and the Defense Department are on the scene, at least as extras.

Some of these people propose to help small business borrow money, increase its sales, or solve its marketing problems. Others would control big business, either for the sake of small business or for the sake of control. A few, still feeling around, may end up doing both.

Amid this din, President Eisenhower was understood to say in his Economic Report: "Today we believe as strongly in economic progress through free and competitive enterprise as our fathers did and we

resent as they did any unnecessary intrusion of government into private affairs."

If this is really our belief, our political behavior is peculiar.

Free and competitive enterprise should describe enterprise which permits the freedom to take a chance. A free society provides freedom of opportunity but does not guarantee success to all who enter. Success depends primarily on judgment, managerial skill and experience. In such a society those who compete best will prosper and grow. Some will fail, because so long as men have different talents there is no way to assure success for all aspirants, and one of the functions of competition is to remove the inefficient.

As the efficient grow, they become, in most cases, customers and suppliers of the firms which have not yet grown or, in some cases, do not wish to grow. Thus large business and small business complement each other. Controls which prevent the growth of the large thus indirectly stunt the growth of the small.

Efforts to help the inefficient small concerns directly injure their efficient neighbors because, although politicians overlook it, small business competes primarily with small business—not with large. The local furniture store, the barber shop, the plumber, the gas station, the bakery, all up and down Main Street find their competition up the block, not in Pittsburgh or in New York. On these Main Streets the efficient don't need or want government help. If government uses their taxes to help their rivals, competition is no longer free, but enough business may be diverted so that those who previously did all right may need to ask help. This double rescue will leave both about where they were before but the process of natural growth will have been interrupted.

The fact that we have more small businesses per 1,000 of population today than we had 100 years ago suggests that we need no government crutches to encourage men with ideas, ambition and small capital to try out their ideas.

If government really believes in free and competitive enterprise, it will seek—not aids or controls—but to set up an economy where every size business can thrive and prosper; where the ambitious beginner knows that, if he succeeds in growing, he will not one day face the stigma of bigness.



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